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INTRODUCTION

It’s close to midnight in China. Wake-up alarms have been set on 663 million smartphones. Around 960 million WeChat users are still active, checking messages, posting videos or uploading photos of a homemade meal or a lively dinner in a new restaurant.

Meanwhile, China’s army of over three million electrified ‘49’ delivery drivers are calling into 24/7 convenience stores after finishing the last of the one million food orders delivered to diners’ homes that day. Keeping China’s diners satisfied requires concerted effort across the supply chain, from producers to regulators, retailers, marketers, investors, cashless payment systems and logistics providers.

New restaurants and cafes open every hour, many of which focus on novel concepts such as barista-made coffee, poke bowls or craft beer. Supermarkets are modernising, supported by technology introduced from e-commerce and 20 per cent annual growth in cold chain logistics.

According to Euromonitor, as a result of this combined effort, every day China’s consumers will eat:

- 115 kilotonnes of fish and seafood
- 523 kilotonnes of fruit
- 183 kilotonnes of meat
- 767 kilotonnes of vegetables.

After years of rapid growth, the Chinese economy has entered a period of slower, more sustainable, consumption-led growth that officials have described as the ‘New Normal’. Since 2013, consumption has contributed more to China’s real GDP growth by expenditure than investment. In 2017, consumption accounted for 58.8 per cent of China’s GDP growth.

According to the Chinese National Bureau of Statistics, the shift towards consumption-led growth, combined with sustained increases in income, has seen urban consumer spending per capita on food and beverage increase by 21 per cent in the five years to 2017.
To help meet this growing demand, China’s overall food and beverage imports grew by 10 per cent between 2016 and 2017 to reach A$153 billion.\textsuperscript{11}

Australia is an important food supplier to China. Exports of value-added products have grown sharply over the past five years, partly due to new or improved market access protocols, the China-Australia Free Trade Agreement and the emergence of cross-border e-commerce.

Australian exports of processed food to China increased by 36.9 per cent between 2016 and 2017.\textsuperscript{12} Australia is now the fourth largest supplier of imported processed food to China.

Key Australian agrifood sectors have all enjoyed significant double-digit growth into China in the past three years (see Table 1). Market share has also grown in the premium packaged food and beverage segments.

Exporting food and beverage successfully to China requires a sophisticated approach that takes into account:

\begin{itemize}
  \item current and emerging trends
  \item Chinese consumer demographics and what drives their food buying decisions
  \item regional differences across China in consumer buying power and preferences
  \item the rapidly changing mix of channels across traditional retail, e-commerce and more, and the challenges and opportunities each poses
  \item the importance of partner selection when developing market entry or expansion strategies
  \item the complex regulatory environment involving multiple levels of government
  \item how to use Chinese social media platforms to engage consumers and build brand profile
  \item what the China-Australia Free Trade Agreement can do for your business
  \item managing intellectual property protection in China.
\end{itemize}

This guide provides an introduction to these key topics, drawing on Austrade’s extensive knowledge of the Chinese food and beverage sector and deep experience working with Australian exporters in the market. Austrade acknowledges the contribution of the Australian Food & Grocery Council to this guide, particularly the chapters on distribution channels and key regulations.

\section*{China’s food and beverage market: Facts and figures}

\begin{figure}
\centering
\includegraphics[width=\textwidth]{figure1}
\caption{Australian agrifood exports to China, 2010–2017}
\end{figure}

Source: DFAT publication ‘Composition of Trade Australia’, 2010–2017
Table 1: Australian agrifood sector exports to China, 2015–2017

<table>
<thead>
<tr>
<th>Distribution</th>
<th>A$ million 2015</th>
<th>A$ million 2016</th>
<th>A$ million 2017</th>
<th>% share 2015</th>
<th>% share 2016</th>
<th>% share 2017</th>
<th>% Change 2016/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grains, pulses and fodder</td>
<td>2,766.9</td>
<td>1,779.1</td>
<td>2,286.4</td>
<td>46.1</td>
<td>32.8</td>
<td>29.6</td>
<td>28.5</td>
</tr>
<tr>
<td>Packaged foods</td>
<td>794.2</td>
<td>1,259.3</td>
<td>1,828.9</td>
<td>13.2</td>
<td>23.2</td>
<td>23.7</td>
<td>45.2</td>
</tr>
<tr>
<td>Meat &amp; livestock</td>
<td>1,530.9</td>
<td>1,128.8</td>
<td>1,503.1</td>
<td>25.5</td>
<td>20.8</td>
<td>19.5</td>
<td>33.2</td>
</tr>
<tr>
<td>Wine &amp; beverages</td>
<td>369.7</td>
<td>522.5</td>
<td>849.4</td>
<td>6.2</td>
<td>9.6</td>
<td>11.0</td>
<td>62.6</td>
</tr>
<tr>
<td>Dairy</td>
<td>308.1</td>
<td>396.1</td>
<td>503.5</td>
<td>5.1</td>
<td>7.3</td>
<td>6.5</td>
<td>27.1</td>
</tr>
<tr>
<td>Fruit, vegetables &amp; nuts</td>
<td>139.7</td>
<td>257.5</td>
<td>389.5</td>
<td>2.3</td>
<td>4.7</td>
<td>5.0</td>
<td>51.3</td>
</tr>
<tr>
<td>Seafood</td>
<td>91.6</td>
<td>84.7</td>
<td>355.8</td>
<td>1.5</td>
<td>1.6</td>
<td>4.6</td>
<td>320.0</td>
</tr>
</tbody>
</table>

Source: Australian Bureau of Statistics on Global Trade Atlas (August 2018)

Table 2 shows a selection of premium food and beverage exports that have grown strongly between 2015 and 2017. The table also shows China’s total imports of the product.

Table 2: A selection of Australian food & beverage exports to China exhibiting substantial growth in 2017, A$ million, CY 2017

<table>
<thead>
<tr>
<th>Product (key items by %)</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>% change 2017/2016</th>
<th>China total imports from the world 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Packaged food preparations (mainly nutritional supplements)</td>
<td>470.5</td>
<td>762.9</td>
<td>1,122.9</td>
<td>47.2</td>
<td>2,383.9</td>
</tr>
<tr>
<td>Wine (90% red wine)</td>
<td>362.8</td>
<td>516.0</td>
<td>826.8</td>
<td>60.2</td>
<td>3,644.6</td>
</tr>
<tr>
<td>Beverage nutrition formulae (74% canned infant formula)</td>
<td>166.5</td>
<td>393.5</td>
<td>548.0</td>
<td>39.3</td>
<td>5,831.3</td>
</tr>
<tr>
<td>Lamb &amp; mutton chilled &amp; frozen</td>
<td>255.2</td>
<td>240.5</td>
<td>470.8</td>
<td>95.8</td>
<td>1,151.1</td>
</tr>
<tr>
<td>Milk powders</td>
<td>114.8</td>
<td>200.5</td>
<td>268.7</td>
<td>34.0</td>
<td>2,888.1</td>
</tr>
<tr>
<td>Rock lobster (94% live rock lobster) &amp; prawns</td>
<td>16.5</td>
<td>34.8</td>
<td>191.7</td>
<td>450.8</td>
<td>3,274.3</td>
</tr>
<tr>
<td>Grapes, fresh or dried</td>
<td>15.6</td>
<td>102.4</td>
<td>148.7</td>
<td>45.1</td>
<td>834.1</td>
</tr>
<tr>
<td>Citrus fruit (65% oranges, 34% mandarins)</td>
<td>53.2</td>
<td>72.3</td>
<td>137.3</td>
<td>90.0</td>
<td>715.5</td>
</tr>
<tr>
<td>Milk (liquid, mostly UHT long-life milk)</td>
<td>76.7</td>
<td>73.5</td>
<td>88.5</td>
<td>20.4</td>
<td>1,143.4</td>
</tr>
<tr>
<td>Macadamia nuts</td>
<td>53.3</td>
<td>55.5</td>
<td>75.2</td>
<td>35.3</td>
<td>120.6</td>
</tr>
<tr>
<td>Molluscs (97% live abalone)</td>
<td>15.6</td>
<td>33.0</td>
<td>63.2</td>
<td>91.3</td>
<td>1,348.7</td>
</tr>
<tr>
<td>Alcoholic spirits (73% whisky, 18% vodka)</td>
<td>1.0</td>
<td>1.6</td>
<td>17.4*</td>
<td>991.9</td>
<td>1,500.7</td>
</tr>
<tr>
<td>Cereals and muesli</td>
<td>2.7</td>
<td>8.0</td>
<td>16.9</td>
<td>111.5</td>
<td>249.9</td>
</tr>
</tbody>
</table>

*This figure includes $17,179,519 of re-exports
Source: Australian Bureau of Statistics on Global Trade Atlas, China Customs on Global Trade Atlas
Table 3: Major suppliers of agrifood products to China, 2017

<table>
<thead>
<tr>
<th>Ranking</th>
<th>Partner country</th>
<th>Value (A$bn)</th>
<th>% share, 2017</th>
<th>% change, 2017/2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Brazil</td>
<td>31.3</td>
<td>20.7</td>
<td>23.6</td>
</tr>
<tr>
<td>2</td>
<td>United States</td>
<td>28.7</td>
<td>19.0</td>
<td>-4.14</td>
</tr>
<tr>
<td>3</td>
<td>Canada</td>
<td>8.3</td>
<td>5.5</td>
<td>22.1</td>
</tr>
<tr>
<td>4</td>
<td>Australia</td>
<td>7.7</td>
<td>5.1</td>
<td>36.9</td>
</tr>
<tr>
<td>5</td>
<td>New Zealand</td>
<td>7.3</td>
<td>4.9</td>
<td>32.6</td>
</tr>
<tr>
<td>6</td>
<td>Indonesia</td>
<td>6.1</td>
<td>4.0</td>
<td>22.3</td>
</tr>
<tr>
<td>7</td>
<td>Thailand</td>
<td>5.8</td>
<td>3.9</td>
<td>5.6</td>
</tr>
<tr>
<td>8</td>
<td>Argentina</td>
<td>4.6</td>
<td>3.1</td>
<td>-15.8</td>
</tr>
<tr>
<td>9</td>
<td>France</td>
<td>4.5</td>
<td>3.0</td>
<td>17.9</td>
</tr>
<tr>
<td>10</td>
<td>Vietnam</td>
<td>4.5</td>
<td>3.0</td>
<td>20.3</td>
</tr>
</tbody>
</table>

Source: China Customs on Global Trade Atlas
民以食為天
‘To the people, food is heaven’ – Chinese saying

Food has held an unchanging place at the heart of Chinese culture and lifestyle for thousands of years, but today’s Chinese consumers choose and buy their food very differently from previous generations. For Australian food and beverage exporters, taking the time to understand the trends that drive these consumer choices can mean the difference between market success and missing out.

Ten market trends to watch

1. All roads lead to China

For centuries, luxury goods from China travelled the original Silk Road to the estates of the wealthy in Europe and beyond. Today, it is Chinese households demanding the world’s best produce. In 2001, China was the world’s 12th largest buyer of imported foods. By 2016, China was the world’s second largest buyer of imported food and beverages after the US with total imports exceeding A$130 billion.13

Food quality, safety, freshness and taste are paramount. Sophisticated cold chains designed for e-commerce and ‘New Retail’ have been created through multibillion-dollar investments. The sharp increase in the volume of flights between Australia and China means a shopper in Shanghai can pre-order and track fresh produce such as Tasmanian cherries or chilled abalone all the way from the farm gate to their home in as little as 48 hours.

2. The rise and rise of the middle class

With China’s shift towards consumption-led growth, the demographic and economic drivers that made China Australia’s premier food export market are set to continue.

According to China’s National Bureau of Statistics, the country’s per capita disposable income stood at 25,974 yuan (US$4,033) in 2017, up 7.3 per cent year-on-year in real terms.14 Euromonitor found middle-class households in China (defined as those households earning between 75 per cent and 125 per cent of the median income of US$12,211) ‘has displayed the strongest rate of expansion across social classes over 2012–2017 and is expected to remain as China’s fastest growing through to 2030’.15

The projected rises in income levels mean Chinese consumption habits will continue to change. People moving into the lower middle-income bracket have greater scope for discretionary spending on goods and services. Those entering the upper middle-income segment are looking to upgrade their spending towards premium products such as craft beer, wine and cheese.
Table 4: Chinese incomes by age range

<table>
<thead>
<tr>
<th>Age group</th>
<th>Below US$10K</th>
<th>Between US$10K-$30K</th>
<th>Between US$30K-$60K</th>
<th>Between US$60K-$100K</th>
<th>More than US$100K</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>15–24 year olds</td>
<td>160,726</td>
<td>22,763</td>
<td>1,784</td>
<td>552</td>
<td>399</td>
<td>186,224</td>
</tr>
<tr>
<td>25–34 year olds</td>
<td>148,363</td>
<td>57,087</td>
<td>5,114</td>
<td>1,551</td>
<td>1,176</td>
<td>213,291</td>
</tr>
<tr>
<td>35–44 year olds</td>
<td>143,449</td>
<td>51,379</td>
<td>3,377</td>
<td>1,165</td>
<td>1,618</td>
<td>200,988</td>
</tr>
<tr>
<td>45–54 year olds</td>
<td>174,656</td>
<td>52,139</td>
<td>3,046</td>
<td>1,113</td>
<td>1,778</td>
<td>232,732</td>
</tr>
<tr>
<td>55+</td>
<td>251,750</td>
<td>46,838</td>
<td>1,515</td>
<td>404</td>
<td>473</td>
<td>300,980</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>878,944</strong></td>
<td><strong>230,206</strong></td>
<td><strong>14,836</strong></td>
<td><strong>4,785</strong></td>
<td><strong>5,444</strong></td>
<td><strong>1,134,215</strong></td>
</tr>
</tbody>
</table>

Source: Euromonitor International

The impact of this rise for Australian exporters is clear. In just a few years, China has become Australia’s number-one market for wine and dairy. The next challenge will be determining how to ensure Australia stays competitive, despite being a relatively small player in the huge and growing Chinese consumer market.

3. Cities the size of Australia are only a click away...

Buying fresh and packaged foods via a simple online order and payment system that provides home delivery within just a few hours is a daily reality in China’s first-tier cities – Beijing, Shanghai, Guangzhou, Shenzhen and Tianjin.

High urban densities, e-commerce platforms, mobile payments and inexpensive local delivery options have made this possible on a large scale. Businesses such as 点评 (Dianping), 饿了么 (Ele.me) and 美团 (Meituan) are bringing together the best aspects of physical and online retail to provide a seamless shopping experience for their customers.

The size and sophisticated logistics mean there is intense competition in tier 1 cities and standing out in a crowded market will be challenging.

4. …and second- and third-tier cities are rising fast

The next wave of growth is happening outside the major urban mega-markets. This diversification creates a new set of opportunities for Australian exporters.

In 1980, less than 20 per cent of China’s population lived in cities. Today, more than half of all Chinese live in urban areas and up to 70 per cent are expected to live in urban environments by 2030.16

China is already halfway through its urbanisation story. Established cities like Beijing and Shanghai are among the world’s top dozen city economies and many of China’s tier 2 cities – Chengdu, Hangzhou, Wuhan and another 20-plus cities – are also thriving commercial hubs.17

The next chapter in China’s urbanisation will be more widespread across the country, with cities such as Chongqing, Wenzhou, Nanjing and Foshan to contain the same number of wealthy consumers within one generation as currently found in Beijing or Shanghai.18

China’s growth story is also about the rise of around 300 cities that each have more than 100,000 upper middle-class and affluent customers. The Boston Consulting Group has predicted that by 2020, 98 million upper middle-class and affluent consumers will live outside of China’s top 100 cities, more than doubling from 45 million in 2015.19

This regional growth also means China’s consumer base is much more geographically dispersed, extending beyond the eastern seaboard to include high-income residents in a number of inland cities.

These regional cities represent a significant untapped opportunity for exporters of premium consumer goods. Meanwhile, consumers on the eastern seaboard are shifting into even higher consumption preferences.
5. ‘New Retail’ is blurring business models

The separation of the traditional retail sector in China and online players is becoming less apparent. Chinese companies are increasingly combining elements of both to better serve consumers.

E-commerce firms such as Alibaba and JD.com are diversifying their business models and acquiring established physical retail brands and infrastructure. Conversely, traditional retailers such as Suning are increasing their focus on home delivery, online ordering and new ways of attracting and engaging with suppliers of in-demand products. The result of these converging forces is ‘New Retail’.

An example of New Retail is Alibaba’s Hema Fresh stores, which offer 30-minute deliveries within a three-kilometre radius of each cashless bricks-and-mortar store via an exclusive app. Alternatively, shoppers can dine in-store on their purchase of beef, seafood or ready-to-eat meals. Alibaba intends to open more than 100 Hema stores across China by the end of 2018.

In late 2017, JD.com launched its new retail chain, called 7Fresh, trialling ‘limitless retail’. Integrating online and offline retail, the chain accepts payment via cash, card, WeChat, or mobile using the 7Fresh app, and is testing facial recognition payment technology for members.
CASE STUDY: METCASH

Despite approximately 70 per cent of its China sales coming from online platforms, Australian distributor Metcash is focusing its attention on offline channels, and its innovative approach in this area is showing impressive results.

Drawing from its portfolio of Australian independent retailers including IGA, Metcash imports one to two leading fast-moving consumer goods (FMCG) brands across a variety of categories into China. With crowded consumer markets in tier 1 and 2 cities well catered for through its established online channels, it is Metcash’s pivot to tier 3, 4 and 5 cities which highlight the significant untapped opportunity in these markets.

‘Consumers in tier 3 to 5 cities are starved of product choice compared to their counterparts in tier 1 and 2 cities,’ said Will Zhao, Head of China Operations for Metcash. ‘Shipping products from online platforms also takes longer to get to these consumers. With these two factors at play, as well as the lower cost of living and considerable government investment being poured into these lower-tier cities, this is where we should be focusing our attention via an offline approach.’
According to Boston Consulting Group, lower-tier cities are expected to account for 75 per cent of China’s affluent consumers by 2020. Consulting firm Bain & Company found FMCG has been growing as much as three times faster in lower-tier cities than first- and second-tier cities over the past few years.

Metcash has signed exclusive partnerships with Yulilong Group, Heli Group and Xiya Group, all in tier 3 and 4 cities. These supermarket retailers have extensive distribution throughout regional China.

In 2017, Metcash launched a retail strategy across multiple cities, featuring a two-day Australasian product showcase inside these supermarkets. ‘The supermarkets provide considerable floor space to set up a pavilion of Australasian products. My team, along with brand representatives who flew in for the promotion, created an interactive and uniquely Australasian presence over the two-day period,’ said Zhao.

Metcash started to work with the supermarkets two months before the promotion, providing a complete advertising and marketing plan to build consumer awareness. A key element was a comprehensive product catalogue distributed via WeChat, with full product descriptions, usage recommendations and promotion prices, aimed at educating consumers in the lead-up to the event.

‘The average basket size at these supermarkets is ¥70; however, during our promotions, this increased to ¥130-150,’ said Zhao.

Metcash has carefully selected the products it stocks. Prerequisites include having a history of success in Australia; this is important as Chinese consumers often research brands online. Products must also have an interesting brand story, which Metcash uses to help convert sales. Thirdly, brands must be willing to have ‘skin in the game’ and send Australian representatives to participate in offline promotions to ensure alignment and support.

‘Having Australians present at our promotions helps bring them to life. A 6’3” sales representative from a prominent FMCG brand now features in hundreds of selfies taken by consumers in a fifth-tier city during one of our events,’ said Zhao.

Online promotion is playing a key role in ensuring the success of these offline promotions. Metcash uses purchasing data from its major online channels Suning, JD.com and Tmall to select products for supermarket events. Online data is also essential in forecasting, with Metcash analysing purchases made by consumers in tier 4 cities to understand what consumers in tier 5 cities might purchase.

**Lessons learnt**

- Lower-tier cities are becoming increasingly mature and ready to buy premium Australasian products.
- Developing cities are much less contested than Shanghai or Beijing, and consumers appreciate brands that are available in their hometowns.
- Online and offline work well together, both for integrated promotions and education, and to deliver insights.
6. You are what you eat

Unlike Western cultures that focus on using conventional medicine to treat health issues, in China food is believed to play a major role in improving and maintaining health. A rising number of Chinese consumers are striving for healthier, more balanced lifestyles, seeking out safer, more nutritious foods, preventive healthcare and complementary medicines, and participating in sports and fitness activities. China’s President Xi Jinping has also put health at the centre of the Chinese Government’s agenda, saying it is a prerequisite for people’s all-round development and a precondition for economic and social development.

More than half of consumers surveyed by McKinsey report they focus on eating healthy and nutritious foods. Consumption of fruit juice is up, while food categories perceived as being less healthy have seen falls in consumption: 21 per cent for carbonated soft drinks, 15 per cent for chewing gum, and 16 per cent for Western fast food.

The Chinese perception of Australia as a land with clean water and air, active people with healthy lifestyles, and safe, nutritious food that can be traced back to the producer is a competitive advantage for Australian food and beverage firms.

CASE STUDY: COSTA

In 2016, Australian company Costa formed a joint-venture partnership with Driscoll’s to supply Chinese supermarkets with seasonal raspberries, blackberries and blueberries grown in Yunnan province. Spanning two farms and approximately 100 hectares, there is considerable scope for this joint venture to grow further, capitalising on China’s growing middle class and increasing awareness of the health benefits of fresh berries. Costa’s investment in the project is one of the largest by a foreign-owned company in Chinese agriculture in recent years.

7. Food safety is still top of mind

Having witnessed a series of food scandals over the past five to 10 years, Chinese consumers are expressing more concern than ever about food safety. Around 72 per cent worry the food they eat is harmful to their health – up from 60 per cent in 2012.

These concerns translate directly into purchasing decisions. In a 2016 Ipsos study of consumers in first- and second-tier cities, 86 per cent said food safety was a consideration when buying food, and 52 per
cent listed it as their first priority. When a branded food is involved in a scandal, 81 per cent said their trust in the brand declined, and 59 per cent said their trust in the entire food category decreased.  

Consumers are also scrutinising food labels: the same Ipsos study found 88 per cent of consumers said they focus on production and expiry dates, 67 per cent looked at ingredients and nutritional information, and 47 per cent looked to see if products were organic or ‘green’. Many are attracted to labels such as ‘no artificial additives’, ‘organic ingredients’ and ‘low fat or low calorie’.  

8. ‘Made in China’ is no longer second-best

Chinese consumers are keen to support local brands, a trend most apparent in consumer electronics and fashion. Notwithstanding well-publicised concerns about food safety credentials, ‘made in China’ foods are rapidly catching up to the best international exports and will be competitors to Australian produce in the future.

9. A ‘famous foods’ tradition creates opportunities for provenance stories

As a relative latecomer to industrialisation, brands in China have developed at a slower pace compared to the West. A long-held exception to this rule has been geographical ‘brands’ that signify the special provenance of a product, such as Shaoxing vinegar, Yangcheng Lake crabs or Pu’er tea. Emphasising the origin of an Australian product – ‘cherries from Tasmania’, ‘a Barossa Valley wine’ – will increasingly resonate with Chinese consumers.

The rise of specialty food outlets with a focus on one product is helping Chinese diners embrace the best of Western-style food. For example, grilled beef steak restaurants number in the hundreds across shopping malls and airports. In Shanghai alone, there are more than 100 specialty beer bars. Micro coffee shops offer special blends at reasonable prices, many having dispensed with seating areas, to focus solely on selling high volumes of uniquely sourced, quality coffee for take-away consumption.

**CASE STUDY: HEMA FRESH**

Alibaba’s Hema supermarket has partnered with dairy giant Fonterra to supply daily overnight deliveries of fresh milk with unique bottles that match each day of the week. The milk is produced at Fonterra’s 16,000-head Hebei dairy farm. Fonterra is using its advantage as the only multinational dairy company in China with a local milk pool to supply an initial daily volume of three metric tonnes to Hema’s stores across the country every day.
Comparing apples to apples takes on new meaning, thanks to partnerships between growers, retailers and logistics providers to supply integrated traceability solutions that provide higher levels of assurance on food provenance and safety. In December 2017, Walmart, JD.com and Beijing’s Tsinghua University announced the launch of a Food Safety Alliance using blockchain technology.

The use of QR codes is commonplace in fresh food retailing. For example, Alibaba has developed its ‘Blue Stars’ program to fight counterfeit products and improve traceability for a wide range of product categories including wine and agricultural produce. Through the program, products each carry a unique QR code that consumers can scan in-store to view information such as the product’s grower, origin, characteristics, growth cycle and seller.

Having piloted the program with fresh produce sold on Taobao Marketplace’s specialty channel for Chinese-made foods, Alibaba aims to use this technology to boost consumer confidence in the safety, quality and authenticity of the produce they are buying.27
The population in China that can comfortably afford Australian food was around 28 million in 2017 – or approximately 2 per cent of the population. While this is a niche market within China, it is three million more than Australia’s population. This group is forecast to grow to 102 million by 2022, far outstripping Australia’s food export capacity. The challenge for Australian food exporters is not to find enough consumers, but to understand them well enough to market brands successfully and to provide them with the products they want.

One way to better understand Chinese consumers is to consider different groups and what drives their decision-making. This guide provides some examples of important groups within the Chinese consumer market including:

- key generational groups with spending power, such as successful mid-career professionals and the emerging group of ‘borderless consumers’ born after 2000
- other groups, such as ‘haigui’ (professionals who return to China after working overseas), and Chinese travellers consuming and forming perceptions about Australian foods while in Australia or in third markets.
## The post-seventies and post-eighties generation

<table>
<thead>
<tr>
<th>Age range</th>
<th>35–54</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population with incomes above US$30K in 2016</td>
<td>12.1 million</td>
</tr>
<tr>
<td>Population with incomes above US$30K in 2021</td>
<td>46.6 million</td>
</tr>
<tr>
<td>Good market for</td>
<td>Baby and maternity food, premium fruit and vegetables</td>
</tr>
<tr>
<td>How to sell to this segment</td>
<td>Premium supermarkets, online, hotels and restaurants, chain stores, overseas duty-free shops</td>
</tr>
</tbody>
</table>

The generation born from 1970 onwards was front and centre during the industrialisation of the Chinese economy. Today, many occupy management and leadership roles in state enterprises and senior government. While this generation was in a prime position to benefit from Deng Xiaoping’s opening up of the economy, as individual consumers they remember the hard work, sacrifices and product shortages that characterised the preceding decades.

### MEET THE CONSUMER: THE JIANG FAMILY

The Jiangs are busy professionals with a two-year-old child and plans to have another in a year or two. Their total annual disposable income is about RMB100,000 (after paying mortgages and insurances), and they live in a small second-hand property on the fringes of Shanghai. The couple are restricting consumption to save money, but are willing to pay premium prices for safe, high-quality baby formula and health food for their only child.

As they are both busy, they shop online for these products. They also use the internet to research and inform purchasing decisions. They trust word-of-mouth (digital or otherwise) endorsements above the advertising claims of manufacturers. They pay particular attention to product labels and search for key words that indicate the product has undergone clearance processes and is suitable for the long-term health and wellbeing of their child.

‘Around 80 per cent of my food shopping is done online. I make weekly purchases of fruit, vegetables, milk and eggs. At home I like to cook very simple things for my family. I don’t need to always use the best-quality ingredients. I look for cost-efficient purchases. Once I find a brand I like, I stay very loyal. I’m not that familiar with Australian products but have tried Australian beef and cooking oil,’ says Mrs Jiang.
China’s post-1980s generation was born after the country introduced its one-child policy and broader economic reforms that dramatically increased the standard of living. By the time this generation graduated from university after 2001, China had joined the World Trade Organization, heralding a decade of double-digit economic growth and a wider range of career opportunities at home and abroad.

This generation of more than 240 million people became China’s first true consumer class since the founding of the People’s Republic and were the foundation for modern China’s transition towards a service- and consumption-driven economy. This generation is widely travelled, highly educated and enjoys higher living standards.

This is also the generation with young families. Due to perceived differences in China’s food safety standards compared to more developed economies, many families are willing to spend more on food and other critical goods and services to ensure their only child’s welfare. While this is especially true of consumers in developed cities, it also applies to relatively lower-income consumers.

There were 17 million births in China in 2017. This number is expected to increase modestly as social and cultural forces adjust to the dismantling of China’s one-child policy.

What this generation wants

The rising number of high-income families and a growing knowledge of children’s care is expected to maintain strong demand. New-generation parents, particularly millennials, are willing to spend money on their children. Sales of baby and child-specific products grew 13 per cent to RMB17.1 billion in 2017. The market is forecast to grow an average of 13 per cent over the next five years, with annual spending to reach RMB30.9 billion by 2022.

China imports large quantities of infant milk powder each year partly due to concerns over domestic quality. Euromonitor reports sales of baby food in China grew 9 per cent in 2017 to reach RMB146 billion and are forecast to reach RMB196 billion by 2022. Organic milk formula recorded the current highest value growth of 30 per cent in 2017, thanks to greater awareness among consumers about healthier food and the growing demand for premium products.

MEET THE CONSUMER: THE LI FAMILY

The Li family has one child studying abroad and one studying in Guangzhou. The Lis both work for multinational companies and frequently travel abroad for work. They are sophisticated consumers, seeking quality and value for money. They are familiar with Australia, having travelled there several times for holidays. While this has influenced their purchasing to an extent (they are regular consumers of Australian wine), they are not loyal to any particular brand. Rather they seek the best deal for their needs.

The Li family consumes a Western-style breakfast of cereals, milk and fruit juice. They prefer muesli and flake-style breakfasts due to their pleasing taste and perceived health benefits. Over 2017, sales of breakfast cereal grew 10 per cent to reach RMB6.8 billion. Muesli and granola registered the highest retail sales value increase of 15 per cent as they meet the health and taste demands of consumers.

To better manage their weight, the Li family has reduced the volume of ice-cream they consume, instead experimenting with high-quality imports and exotic flavours. While they enjoy vanilla and chocolate, they are partial to traditional Chinese flavours such as green tea and red bean.

The Lis are power consumers: they demand same-day deliveries and if stock is not available, they will seek another producer without hesitation. Quality and value for money are important. They demand that quality be demonstrated each time they buy a product. The status of domestic brands in their eyes is catching up to imported goods in several categories.
According to the Reserve Bank of Australia, China has one of the lowest birth rates in the world, at 1.6 births per woman. In 2015, seeking to address an ageing population, the Chinese State Council announced the end of China’s one-child policy, allowing all couples to have two children.

The implications of this policy change for Australian businesses are profound. Even a marginal rise in the birth rate will increase the enormous demand for quality products for infants. China’s National Health and Family Planning Commission reported that the birth rate has increased to 1.7 births per woman in 2016. This equates to an extra two million births each year, bringing the annual total to 18.4 million, the highest since 2000.

As in Australia, economic, policy, career and lifestyle variables all factor in the decision to have children. However, in China, cultural factors can also determine timing. For example, 2015 – the Year of the Sheep – was considered an inauspicious year to have children. This is because many people believe sheep babies will have characteristics associated with their birth sign – docile and destined to be followers, not leaders. These beliefs can have an impact on sales and reinforces the importance of acquiring market expertise that accounts for all drivers and constraints.

The post-nineties generation was born in a time of rapid economic and technological transformation. Benefiting from the wealth of their parents and greater access to information and choice, this group comprises university students, young professionals and childless couples living in tier 1, 2 and 3 cities.

This generation was exposed to both Western and Chinese cultural influences in its formative years. They were the first group to grow up with foreign education at high school and undergraduate levels, and internet access and social media tools such as QQ. They are considered to be open-minded and the vanguard of fashionable and urbane society, with many returning from overseas as entrepreneurs or leaders at companies such as Baidu, Alibaba and Tencent. Unlike the post-eighties generation, the post-nineties group faces greater competition for jobs, and family and societal pressure to save money for a car, apartment and married life.

The post-nineties generation generally lives on-campus or in small apartments, and most prefer not to prepare meals at home. They have a strong preference for online shopping, free and independent travel and socialising with friends. This generation of young and image-conscious white-collar workers is driving a boom in health and fitness-related products. Euromonitor reports that in 2017 sales of sports nutrition products grew 47 per cent to RMB1.4 billion and are forecast to grow to RMB3.9 billion by 2022. Sales of weight management and wellbeing products grew 7 per cent to RMB11 billion and are forecast to grow to RMB19.2 billion by 2022.
MEET THE CONSUMER: MS LU

Ms Lu has an office job with an annual disposable income of US$30,000. She considers herself to be middle class and, compared to her parents’ generation, thinks quality of life is of high importance. She is familiar with Australian products, having visited Australia a few times.

Ms Lu is an avid gym-goer, working out with a personal trainer and practising yoga regularly. She uses social media to update her friends and followers on her fitness journey. To support her lifestyle, Ms Lu invests in functional foods, detox products and dietary supplements. She purchases walnuts (for brain health), pistachios and almonds to snack at work and during transit.

She is also part of a growing Chinese market that values organic produce for its perceived health benefits and food safety. When searching for products to buy, Ms Lu says the word ‘organic’ is attractive and she is willing to pay a premium if the product is certified as such.

THE SHIFT TOWARDS PREMIUM GOODS

The premium product sector in China is witnessing strong growth. Wealthy urbanites are seeking quality over quantity when it comes to goods in this sector.

Euromonitor reports the following key trends in 2017:

> Wine sales increased 4 per cent to reach 4.8 billion litres and are forecast to grow 4 per cent annually to 5.8 billion litres by 2022.40

> Still red wine was the most dynamic category, with total volume growth of 7 per cent.41

> While beer overall has declined in terms of volume, beer consumers in China are growing more sophisticated and demanding, and are willing to spend more on high-quality products.42

> In 2017, cheese sales grew 25 per cent to RMB5.3 billion, and 17 per cent in volume to 36,000 tonnes.43

> The value of the Chinese cheese market is projected to grow 15 per cent to 2022.44
The post-2000 generation

<table>
<thead>
<tr>
<th>Age range</th>
<th>15–24</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population with incomes above US$30K (2016)</td>
<td>2.7 million</td>
</tr>
<tr>
<td>Population with incomes above US$30K in 2021</td>
<td>9.9 million</td>
</tr>
<tr>
<td>Good market for</td>
<td>Snack foods, beauty and fashion</td>
</tr>
<tr>
<td>How to sell to this segment</td>
<td>Online, social media</td>
</tr>
</tbody>
</table>

The post-2000 generation is joining the ranks of China’s consuming class over the next five years. This generation benefits from intergenerational wealth, choice and convenience. They grew up in a connected environment and expect the best products and entertainment in the world to be only a mobile phone transaction away. They are heavily influenced by global norms of beauty and fashion.

What this generation wants

Everything. Now. They are comfortable spending on themselves for items such as cosmetics and personal care products, jewellery and clothing, as well as travel-related services and dining out. This generation is comfortable with consumer credit and are tech-savvy, playing a key role in driving growth in online shopping, particularly shopping via social network platforms.45

MEET THE CONSUMER: MR ZHOU

Mr Zhou is a recent university graduate from an upper middle-class family in Kunming. He is considered to be a ‘wenqing’, a member of Chinese hipster culture. An enthusiastic user of social media, he has cultivated a following across multiple platforms to share his product experiences.

Mr Zhou works for a multinational and sees himself as a global citizen with global tastes. Unlike his parents, he cares about the quality of life and this is reflected in his purchasing decisions. He is budget conscious and demands that product quality reflect the premium prices he is willing to pay. He learnt about the relationship between cheese and alcohol while he was studying in Melbourne. By the time he graduated, he had developed a sophisticated palate for both products. Mr Zhou enjoys drinking imported craft beers and wines. The origin story of these products is an integral part of the experience and he sees premium produce as a crucial gateway to exploring the world.

He purchases craft beer, organic food and Australian groceries through online shopping platforms. Cheese is one of the few items he buys exclusively at supermarkets because he values freshness and doesn’t trust online portals to deliver the same quality.
Retirees

<table>
<thead>
<tr>
<th>Age range</th>
<th>55+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population with</td>
<td></td>
</tr>
<tr>
<td>incomes above</td>
<td>2.3 million</td>
</tr>
<tr>
<td>US$30K in 2016</td>
<td></td>
</tr>
<tr>
<td>Population with</td>
<td>23.7 million</td>
</tr>
<tr>
<td>incomes above</td>
<td></td>
</tr>
<tr>
<td>US$30K in 2021</td>
<td></td>
</tr>
<tr>
<td>Good market for</td>
<td>Affordable food and beverage, nuts, wine, functional foods</td>
</tr>
<tr>
<td>How to sell to this segment</td>
<td>Traditional retail, supermarkets and hypermarkets, overseas</td>
</tr>
</tbody>
</table>

This generation is settling into old age in retirement, with the financial support of their offspring. They have the strongest ties to traditional Chinese values such as austerity, which influence their consumer behaviour. This generation is not looking to radically change their consumption, but to upgrade to new and better versions of well-known products that can improve their lifestyles.

What this generation wants

China’s population policies have been successful in curbing growth but have created challenges around an ageing population. The Reserve Bank of Australia projects that in the coming decades, China will have twice as many dependants (children and retirees) as working-age people. This makes post-retirement health and wellness all the more important for the Chinese as they seek to enhance their quality of life amid growing pressures on the healthcare system.

Euromonitor found that:

- vitamins and dietary supplement sales grew 9.4 per cent to RMB135.4 billion in 2017 and are forecast to grow 8.4 per cent annually to 2022

- sales of nuts grew 1 per cent to 7.9 million tonnes in 2017 and are projected to grow to nine million tonnes by 2022, with pistachios (4.0 per cent growth), walnuts (3.6 per cent) and almonds (3.2 per cent) the strong performers.
MEET THE CONSUMER: MR AND MRS WANG

The Wangs are a retired couple. They have few expenses but are saving for future medical costs, and to support their children’s families. They have an annual household disposable income of RMB100,000 and live in their own property. Like most elderly consumers, the couple has minimal brand awareness and a strong preference for products that have ‘traditional’ functions.

They exercise often and are enthusiastic consumers of vitamins and dietary supplements, which they see as a crucial investment in their health. Their favourite supplement is glucosamine, which they consume to improve joint and cartilage health and combat arthritis. Glucosamine sales in China are projected to grow 20 per cent per annum between 2016 and 2021, reflecting a nationwide concern about mobility and independence in old age. The couple also consume vitamins C and E, which they believe increase health and vitality.

Mr Wang has also developed a taste for fine spirits, in particular single malt scotch whiskey. He is not alone; Euromonitor reported a 26 per cent increase in single malt scotch sales in 2017 over 2016. ‘I go shopping with my wife at a nearby supermarket once a week to buy fruit, vegetables, meat and seafood. We always shop at the same place and I usually make the buying decisions. We buy beef and oranges from Australia, as well as beer from Germany, wine from France and cod from Norway. I also buy Australian infant formula for our granddaughter.

‘We buy Australian products because we trust the food quality and safety. My son lives in Melbourne so I have visited there often. I know there are many famous Australian products such as wool, fruit, oats, infant formula and lanolin. I think the prices could be better so these products can have a wider reach, not just to the wealthiest people. Premium quality at a reasonable price will be successful.’
Other market segments

Overseas returnees

Colloquially known as ‘haigui’ (海归) or ‘sea turtles’, these consumers are typically educated abroad and often have extensive professional experience in international companies. China’s Ministry of Education estimates there are approximately 2.2 million overseas returnees in China, most of whom reside in tier 1 cities such as Beijing, Shanghai, Guangzhou and Shenzhen.

On returning to China, haigui often take high-paying leadership and executive positions in family companies, multinational firms and state-owned enterprises. Their consumption habits and expectations have been shaped by their former host countries, and a broader range of goods and services. They also have the incomes to support their newfound preferences. This is particularly true of fast-moving consumer products such as snack foods and breakfast cereals.

Business travellers

China has more than 120,000 hotels, 3,295 of which are classified as luxury hotels.\(^{49}\) In 2017, more than 12 million people travelled to China on business trips.\(^{50}\) There are opportunities for Australian meat, wine and dairy producers to supply hotels catering to business travellers.

Expatriates

At the time of China’s last national survey in 2010, there were around 600,000 expatriates living in China. In a market where high-quality, specialty international produce is in limited supply, this represents a potentially profitable niche for both retail products sold in outlets targeting expatriates (such as premium supermarkets), and the food service sector supporting the thousands of international restaurants across China.

HOW TO SELL TO HOTELS

‘Our hotel [Radisson Blu Shanghai] receives half a million guests a year. As a luxury brand, product quality and reliable after-sales service is always more important than price. The ‘Australian food brand’ will open doors as it’s immediately understood to represent quality. This particularly applies to wine, meat, seafood and dairy.

‘However, exporters doing business in China shouldn’t expect a Chinese partner to know everything about you or your business. Plenty of time should be invested in forging an understanding. Typically this will involve hospitality, which is an essential component of doing business in China.

‘Timely follow-up, combined with an empathetic understanding of your customers’ needs and operational issues, will go a long way.’ – Steve Findlayson, General Manager, Radisson Blu Shanghai

Chinese diaspora and visitors

There are many points of interaction between Chinese consumers and Australian retailers which avoid some of the cultural, regulatory and language barriers identified by Australian traders operating overseas. For example, Chinese students in Australia – of which there were almost 173,000 in June 2018\(^{51}\) – are an important market: they support domestic and ‘daigou’ sales and provide word-of-mouth promotion. Chinese visitors to Australia – around 1.42 million in the 12 months to June 2018\(^{52}\) – fulfil a similar role.

There were around 145 million outbound departures from China in 2017. Chinese outbound travellers listed shopping as one of their main travel intentions due to substantially lower prices and the greater range and availability of quality products. Chinese tourists shop for themselves and for others. These travellers spent approximately US$261 billion in 2016.\(^{53}\)
To take advantage of this trend, Australian producers should consider selling their products in duty-free stores or premium outlets in destinations frequented by Chinese visitors. Premium branded goods such as Blackmores are widely available in duty-free stores across Asia, including in multiple markets where Australia has a free trade agreement, or where more favourable market access conditions exist. Foreign retailers are also increasingly supporting Chinese payment platforms such as UnionPay, Alipay and WeChat Pay. For example, more than 4,000 stores in Japan accept Alipay.54

Table 6: Chinese outbound departures by Asia-Pacific destination, number of trips, 2017

<table>
<thead>
<tr>
<th>Destination</th>
<th>Number of trips</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hong Kong</td>
<td>17,169,000</td>
</tr>
<tr>
<td>Thailand</td>
<td>9,966,500</td>
</tr>
<tr>
<td>Macau</td>
<td>9,663,000</td>
</tr>
<tr>
<td>Japan</td>
<td>7,348,600</td>
</tr>
<tr>
<td>South Korea</td>
<td>4,882,000</td>
</tr>
<tr>
<td>Taiwan</td>
<td>2,877,300</td>
</tr>
<tr>
<td>Vietnam</td>
<td>2,393,300</td>
</tr>
<tr>
<td>Malaysia</td>
<td>2,323,800</td>
</tr>
<tr>
<td>Singapore</td>
<td>2,137,900</td>
</tr>
<tr>
<td>Indonesia</td>
<td>1,585,100</td>
</tr>
<tr>
<td>Australia</td>
<td>1,292,700</td>
</tr>
</tbody>
</table>

Source: Euromonitor International, Flows in China, September 2017

NATIONAL HOLIDAYS AND SALES EVENTS

All the consumers profiled in this guide increase their online spending in the period leading up to national holidays. High-quality imported food, beverage and vitamins are particularly popular as gifts for family, friends and co-workers.

For the 2017 Lunar New Year shopping period, Australian beef, cherries and kiwi fruit were particularly popular on Chinese online shopping retailer JD.com, which reported a 14-fold increase in sales. On Singles Day in November 2017, Australia was the top seller in the fresh produce category on Alibaba’s Tmall Global, with beef and live lobster the featured products. Chemist Warehouse and the Swisse flagship store on Tmall Global were the top two stores in the health supplement category.

While these events are huge opportunities to make sales and increase profile, the sheer scale of demand during these periods can be challenging to meet.
The following pages include snapshots of selected food and beverage sectors where there are strong opportunities for Australian exporters.

These sectors include: dairy products; packaged food; beverages; seafood; beef and lamb; and fruit and nuts. The snapshots also include current taxes and duties on selected products in each sector as well as tariff schedules under the China-Australia Free Trade Agreement.
**Dairy products**

**Market size by channel**

Retail sales by channel, 2017 (US$ billion)

- Supermarkets 22.9
- Hypermarkets 9.9
- Convenience stores 2.3
- Internet retailing 5
- Traditional grocery retailers 14.9

**Forecast sales**

Forecast sales for milk and yoghurt (RMB billion)

- 2017
- 2018
- 2019
- 2020
- 2021
- 2022

2017 sales of milk and yoghurt (retail value)

<table>
<thead>
<tr>
<th>Product</th>
<th>Liquid milk and cream</th>
<th>Butter</th>
<th>Cheese</th>
<th>Powdered milk</th>
<th>Yoghurt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australian exports to</td>
<td>$88.5</td>
<td>$14.1</td>
<td>$109.6</td>
<td>$251.1</td>
<td>$1.2</td>
</tr>
<tr>
<td>China, 2017 (A$ million)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chinese imports from the</td>
<td>$1,143.4</td>
<td>$651.4</td>
<td>$649.6</td>
<td>$2,888.1</td>
<td>$69.0</td>
</tr>
<tr>
<td>world, 2017 (A$ million)</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

Note: Euromonitor International refers to dairy products as the aggregation of butter and margarine; drinking milk products; cheese; yoghurt and sour milk drinks; and other dairy products. Austrade has provided data on the two largest dairy product categories – drinking milk products (fresh milk, powdered milk and UHT milk) and yoghurt and sour milk products. Source: Euromonitor International

**Trade**

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Australian exports to</td>
<td>15</td>
<td>13.5</td>
<td>12</td>
<td>10.5</td>
<td>9</td>
<td>7.5</td>
<td>6</td>
<td>4.5</td>
<td>3</td>
<td>1.5</td>
<td>0</td>
</tr>
<tr>
<td>China, 2017 (A$ million)</td>
<td>10</td>
<td>9</td>
<td>8</td>
<td>7</td>
<td>6</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>0</td>
</tr>
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</table>

Source: ABS on Global Trade Atlas; China Customs on Global Trade Atlas

**Taxes and duties (general trade B2B)**

<table>
<thead>
<tr>
<th>Product</th>
<th>Base rate</th>
<th>20 Dec 2015</th>
<th>1 Jan 2016</th>
<th>1 Jan 2017</th>
<th>1 Jan 2018</th>
<th>1 Jan 2019</th>
<th>1 Jan 2020</th>
<th>1 Jan 2021</th>
<th>1 Jan 2022</th>
<th>1 Jan 2023</th>
<th>1 Jan 2024</th>
<th>1 Jan 2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquid milk and cream</td>
<td>15</td>
<td>13.5</td>
<td>12</td>
<td>10.5</td>
<td>9</td>
<td>7.5</td>
<td>6</td>
<td>4.5</td>
<td>3</td>
<td>1.5</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Butter and yoghurt</td>
<td>10</td>
<td>9</td>
<td>8</td>
<td>7</td>
<td>6</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Cheese</td>
<td>12</td>
<td>10.8</td>
<td>9.6</td>
<td>8.4</td>
<td>7.2</td>
<td>6</td>
<td>4.8</td>
<td>3.6</td>
<td>2.4</td>
<td>1.2</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Powdered milk</td>
<td>10</td>
<td>9.2</td>
<td>8.3</td>
<td>7.5</td>
<td>6.7</td>
<td>5.8</td>
<td>5</td>
<td>4.2</td>
<td>3.3</td>
<td>2.5</td>
<td>1.7</td>
<td>0.8</td>
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<tr>
<td>Infant milk formula*</td>
<td>15</td>
<td>12</td>
<td>9</td>
<td>6</td>
<td>3</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

*Infant milk formula currently has a special MFN tariff of zero, which is applicable to Australian goods. VAT of 16% applies.
Packaged food

Market size by channel

Retail sales by channel, 2017 (US$ billion)

Forecast sales

Forecast retail sales of packaged food (US$ billion)

Hypermarkets
41.4
Convenience stores
10.7
Internet retailing
24.1
Traditional grocery retailers
61.1

2017 retail sales by category

Baked goods
RMB 194,478.8 million
Breakfast cereals
RMB 6,820.9 million
Confectionery
RMB 108,952 million

Note: Euromonitor International refers to packaged food as baby food; baked goods; breakfast cereals; confectionery; dairy; edible oils; ice-cream and frozen desserts; processed fruit and vegetables; processed meat and seafood; ready meals; rice, pasta and noodles; sauces, dressings and condiments; savoury snacks; soups; spreads; sweet biscuits, snack bars and fruit snacks. Austrade has provided data on the packaged food categories where there are strong growth opportunities for Australian exporters. Source: Euromonitor International

Trade

Australian exports to China, 2017 (A$ million)

Chinese imports from the world, 2017 (A$ million)

Note: Food preparations n.e.s. includes soups, sauces, baby foods, ice-cream, condiments, tea/coffee blends and nutritionals. Source: ABS on Global Trade Atlas; China Customs on Global Trade Atlas

Taxes and duties (general trade B2B)

<table>
<thead>
<tr>
<th>Product</th>
<th>Food preparations</th>
<th>Margarines &amp; olive oils</th>
<th>Natural honey</th>
<th>Frozen processed vegetables</th>
<th>Breakfast cereal</th>
<th>Bread, pastry, cakes &amp; biscuits</th>
<th>Confectionery</th>
<th>Coffee, tea &amp; spices</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Base rate %</td>
<td>20 Dec 2015 %</td>
<td>1 Jan 2016 %</td>
<td>1 Jan 2017 %</td>
<td>1 Jan 2018 %</td>
<td>1 Jan 2019 %</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food preparations</td>
<td>10</td>
<td>8</td>
<td>6</td>
<td>4</td>
<td>2</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sauces and condiments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tomato ketchup &amp; other tomato sauces</td>
<td>15</td>
<td>12</td>
<td>9</td>
<td>6</td>
<td>3</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gourmet powder</td>
<td>21</td>
<td>16.8</td>
<td>12.6</td>
<td>8.4</td>
<td>4.2</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Natural honey</td>
<td>15</td>
<td>12</td>
<td>9</td>
<td>6</td>
<td>3</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Frozen, canned and processed vegetables</td>
<td>13</td>
<td>10.4</td>
<td>7.8</td>
<td>5.2</td>
<td>2.6</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Soups and broths</td>
<td>15</td>
<td>12</td>
<td>9</td>
<td>6</td>
<td>3</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Breakfast cereal, muesli</td>
<td>25</td>
<td>20</td>
<td>15</td>
<td>10</td>
<td>5</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sweet biscuits &amp; potato chips</td>
<td>15</td>
<td>12</td>
<td>9</td>
<td>6</td>
<td>3</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Confectionery</td>
<td>10</td>
<td>8</td>
<td>6</td>
<td>4</td>
<td>2</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ice-cream</td>
<td>19</td>
<td>15.2</td>
<td>11.4</td>
<td>7.6</td>
<td>3.8</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chocolate &amp; other food preparations containing cocoa</td>
<td>10</td>
<td>8</td>
<td>6</td>
<td>4</td>
<td>2</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jam</td>
<td>30</td>
<td>24</td>
<td>18</td>
<td>12</td>
<td>6</td>
<td>0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**Market size by channel**

Wine sales in China by channel, 2017 (US$ billion)

- **On-trade sales**: $45.6 billion
- **Off-trade sales**: $25.6 billion

**Forecast growth**

Forecast retail (off-trade) sales of wine and beer (US$ billion)

<table>
<thead>
<tr>
<th>Year</th>
<th>Wine</th>
<th>Beer</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>25.6</td>
<td>28.1</td>
</tr>
<tr>
<td>2018</td>
<td>27.6</td>
<td>29.9</td>
</tr>
<tr>
<td>2019</td>
<td>27.6</td>
<td>29.7</td>
</tr>
<tr>
<td>2020</td>
<td>32.7</td>
<td>34.4</td>
</tr>
<tr>
<td>2021</td>
<td>35.0</td>
<td>36.9</td>
</tr>
<tr>
<td>2022</td>
<td>34.4</td>
<td>38.3</td>
</tr>
</tbody>
</table>

**2017 retail sales by category**

<table>
<thead>
<tr>
<th>Category</th>
<th>Wine</th>
<th>Beer</th>
<th>Bottled water</th>
<th>Juice</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US$25.6 billion</td>
<td>US$28.1 billion</td>
<td>US$23.0 billion</td>
<td>US$11.3 billion</td>
</tr>
</tbody>
</table>

*This figure includes $17,179,159 of re-exports
Source: Euromonitor International

**Trade**

<table>
<thead>
<tr>
<th>Product</th>
<th>Wine</th>
<th>Beer</th>
<th>Spirits</th>
<th>Water</th>
<th>Juice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australian exports to China, 2017 (A$ million)</td>
<td>826.8</td>
<td>0.04</td>
<td>17.4*</td>
<td>1.6</td>
<td>8.4</td>
</tr>
<tr>
<td>Chinese imports from the world, 2017 (A$ million)</td>
<td>3,644.6</td>
<td>976.7</td>
<td>1,500.7</td>
<td>108.5</td>
<td>367.9</td>
</tr>
</tbody>
</table>

Source: ABS on Global Trade Atlas; China Customs on Global Trade Atlas

**Taxes and duties (general trade B2B)**

<table>
<thead>
<tr>
<th>Product</th>
<th>Base rate</th>
<th>20 Dec 2015</th>
<th>1 Jan 2016</th>
<th>1 Jan 2017</th>
<th>1 Jan 2018</th>
<th>1 Jan 2019</th>
<th>1 Jan 2020</th>
<th>1 Jan 2021</th>
<th>1 Jan 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orange juice</td>
<td>30%</td>
<td>26.3%</td>
<td>22.5%</td>
<td>18.8%</td>
<td>15%</td>
<td>11.3%</td>
<td>7.5%</td>
<td>3.8%</td>
<td>0%</td>
</tr>
<tr>
<td>Apple juice, mixed juice and mineral water</td>
<td>20%</td>
<td>16%</td>
<td>12%</td>
<td>8%</td>
<td>4%</td>
<td>0%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spirits (gin, whisky)</td>
<td>10%</td>
<td>8%</td>
<td>6%</td>
<td>4%</td>
<td>2%</td>
<td>0%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beer</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bottled wine</td>
<td>14%</td>
<td>11.2%</td>
<td>8.4%</td>
<td>5.6%</td>
<td>2.8%</td>
<td>0%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

VAT of 16% applies. Consumption tax applies to wine and spirits.
Seafood

Market size by channel

Retail volume of fish and seafood - packaged vs unpackaged, 2017 ('000 tonnes)

<table>
<thead>
<tr>
<th></th>
<th>Unpackaged</th>
<th>Packaged</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>22,539.5</td>
<td>2,338.5</td>
</tr>
</tbody>
</table>

Forecast retail sales of fish and seafood (US$ billion)

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unpackaged</td>
<td>132.1</td>
<td>142.2</td>
<td>152.5</td>
<td>163</td>
<td>174.1</td>
<td>185.5</td>
</tr>
<tr>
<td>Packaged</td>
<td>0</td>
<td>20</td>
<td>40</td>
<td>60</td>
<td>80</td>
<td>100</td>
</tr>
</tbody>
</table>

2017 retail sales by category

<table>
<thead>
<tr>
<th>Category</th>
<th>RMB (billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crustaceans</td>
<td>333.2</td>
</tr>
<tr>
<td>Fish</td>
<td>368.6</td>
</tr>
<tr>
<td>Molluscs and cephalopods</td>
<td>192.1</td>
</tr>
</tbody>
</table>

Note: Euromonitor defines fish and seafood as fish, crustaceans, and molluscs and cephalopods. Source: Euromonitor International

Trade

<table>
<thead>
<tr>
<th>Product</th>
<th>Rock lobster</th>
<th>Prawns</th>
<th>Abalone</th>
<th>Tuna</th>
<th>Salmon</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australian exports to China, 2017 (A$ million)</td>
<td>183.4</td>
<td>6.6</td>
<td>62.8</td>
<td>5.7</td>
<td>92.0</td>
</tr>
<tr>
<td>Chinese imports from the world, 2017 (A$ million)</td>
<td>674.6</td>
<td>1,117.3</td>
<td>63.6</td>
<td>219.6</td>
<td>1,200.3</td>
</tr>
</tbody>
</table>

Source: ABS on Global Trade Atlas; China Customs on Global Trade Atlas

Taxes and duties (general trade B2B)

<table>
<thead>
<tr>
<th>Product</th>
<th>Base rate</th>
<th>20 Dec 2015</th>
<th>1 Jan 2016</th>
<th>1 Jan 2017</th>
<th>1 Jan 2018</th>
<th>1 Jan 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rock lobster and other sea crawfish</td>
<td>10%</td>
<td>8%</td>
<td>6%</td>
<td>4%</td>
<td>2%</td>
<td>0%</td>
</tr>
<tr>
<td>Prawns</td>
<td>8%</td>
<td>6.4%</td>
<td>4.8%</td>
<td>3.2%</td>
<td>1.6%</td>
<td>0%</td>
</tr>
<tr>
<td>Live abalone</td>
<td>14%</td>
<td>11.2%</td>
<td>8.4%</td>
<td>5.6%</td>
<td>2.8%</td>
<td>0%</td>
</tr>
<tr>
<td>Tuna</td>
<td>12%</td>
<td>9.6%</td>
<td>7.2%</td>
<td>4.8%</td>
<td>2.4%</td>
<td>0%</td>
</tr>
<tr>
<td>Salmon</td>
<td>10%</td>
<td>8%</td>
<td>6%</td>
<td>4%</td>
<td>2%</td>
<td>0%</td>
</tr>
</tbody>
</table>

VAT of 10 per cent applies on most of the categories listed above.
### Beef and lamb

**Market size by channel**

Retail volume of meat in China - packaged vs unpackaged, 2017 ('000 tonnes)

- Unpackaged: 32,429.6
- Packaged: 1,281

**Product**

Forecast retail (off-trade) sales of beef and lamb (US$ billion)

<table>
<thead>
<tr>
<th>Year</th>
<th>Beef and veal</th>
<th>Lamb, mutton and goat</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>108.2</td>
<td>55.3</td>
</tr>
<tr>
<td>2018</td>
<td>108.2</td>
<td>55.3</td>
</tr>
<tr>
<td>2019</td>
<td>115.2</td>
<td>58.1</td>
</tr>
<tr>
<td>2020</td>
<td>129.1</td>
<td>60.9</td>
</tr>
<tr>
<td>2021</td>
<td>122.1</td>
<td>63.7</td>
</tr>
<tr>
<td>2022</td>
<td>136.3</td>
<td>66.7</td>
</tr>
<tr>
<td>2023</td>
<td>139.4</td>
<td>69.8</td>
</tr>
<tr>
<td>2024</td>
<td>143.4</td>
<td>72.8</td>
</tr>
</tbody>
</table>

2017 retail sales by category

- Beef and veal: RMB 108.2 billion
- Lamb, mutton and goat: RMB 55.3 billion

Note: Euromonitor refers to meat as beef and veal; lamb, mutton and goat; pork; poultry; and other meat. Source: Euromonitor International.

### Trade

<table>
<thead>
<tr>
<th>Product</th>
<th>Beef</th>
<th>Sheep meat</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frozen</td>
<td>Fresh/chilled</td>
</tr>
<tr>
<td>Australian exports to China, 2017 (A$ million)</td>
<td>754.3</td>
<td>78.3</td>
</tr>
<tr>
<td>Chinese imports from the world, 2017 (A$ million)</td>
<td>3,901.8</td>
<td>95.6</td>
</tr>
</tbody>
</table>

Source: ABS on Global Trade Atlas; China Customs on Global Trade Atlas

### Taxes and duties (general trade B2B)

<table>
<thead>
<tr>
<th>Product</th>
<th>Base rate %</th>
<th>20 Dec 2015</th>
<th>1 Jan 2016</th>
<th>1 Jan 2017</th>
<th>1 Jan 2018</th>
<th>1 Jan 2019</th>
<th>1 Jan 2020</th>
<th>1 Jan 2021</th>
<th>1 Jan 2022</th>
<th>1 Jan 2023</th>
<th>1 Jan 2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chilled cuts of beef</td>
<td>12</td>
<td>10.8</td>
<td>9.6</td>
<td>8.4</td>
<td>7.2</td>
<td>6</td>
<td>4.8</td>
<td>3.6</td>
<td>2.4</td>
<td>1.2</td>
<td>0</td>
</tr>
<tr>
<td>Chilled cuts of lamb</td>
<td>15</td>
<td>13.3</td>
<td>11.7</td>
<td>10</td>
<td>8.3</td>
<td>6.7</td>
<td>5</td>
<td>3.3</td>
<td>1.7</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

VAT of 10 per cent applies on most of the categories listed above.
Fruit and nuts

Market size by channel

Fresh food retail sales by channel, 2017 (%)

- Supermarkets 14.7%
- Hypermarkets 21.7%
- Convenience stores 0.8%
- Internet retailing 2%
- Traditional grocery stores 60.2%

Forecast retail sales of fruit and nuts (US$ billion)

- Hypermarkets 21.7
- Supermarkets 14.7
- Convenience stores 0.8
- Internet retailing 2
- Traditional grocery stores 60.2

Forecast growth

- Fruit
- Nuts

2017 retail sales by category

- Apples: RMB 114 billion
- Peaches, nectarines: RMB 32.8 billion
- Almonds: RMB 6.3 billion
- Walnuts: RMB 223 billion
- Oranges, tangerines and mandarins: RMB 114.2 billion

Note: Euromonitor refers to fresh food as fresh, uncooked and unprocessed foods (packaged and unpackaged). The following products are also included: packaged dried fruits; packaged raw sugar products and natural sweeteners (e.g. brown sugar, table sugar, honey). Austrade has reported on selected fruit and nut categories that show the strongest growth opportunities for Australian exporters. Source: Euromonitor International

Trade

- Australian exports to China, 2017 (A$ million)
  - Summer fruit: 14.9
  - Citrus fruits: 137.4
  - Table grapes: 148.2
  - Almonds: 5.3
  - Macadamias: 75.2
- Chinese imports from the world, 2017 (A$ million)
  - Summer fruit: 1,180.0
  - Citrus fruits: 715.5
  - Table grapes: 777.2
  - Almonds: 124.4
  - Macadamias: 120.6

Source: ABS on Global Trade Atlas; China Customs on Global Trade Atlas

Taxes and duties (general trade B2B)

<table>
<thead>
<tr>
<th>Product</th>
<th>Base rate</th>
<th>20 Dec 2015</th>
<th>1 Jan 2016</th>
<th>1 Jan 2017</th>
<th>1 Jan 2018</th>
<th>1 Jan 2019</th>
<th>1 Jan 2020</th>
<th>1 Jan 2021</th>
<th>1 Jan 2022</th>
<th>1 Jan 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Almond kernels</td>
<td>10</td>
<td>8</td>
<td>6</td>
<td>4</td>
<td>2</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Macadamia kernels</td>
<td>24</td>
<td>19.2</td>
<td>14.4</td>
<td>9.6</td>
<td>4.8</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Walnut kernels</td>
<td>20</td>
<td>16</td>
<td>12</td>
<td>8</td>
<td>4</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Apples, peaches, plums, nectarines and cherries</td>
<td>10</td>
<td>8</td>
<td>6</td>
<td>4</td>
<td>2</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oranges, lemons and limes</td>
<td>11</td>
<td>9.8</td>
<td>8.6</td>
<td>7.3</td>
<td>6.1</td>
<td>4.9</td>
<td>3.7</td>
<td>2.4</td>
<td>1.2</td>
<td>0</td>
</tr>
<tr>
<td>Mangoes</td>
<td>15</td>
<td>12</td>
<td>9</td>
<td>6</td>
<td>3</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grapes</td>
<td>13</td>
<td>10.4</td>
<td>7.8</td>
<td>5.2</td>
<td>2.6</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other dried fruit</td>
<td>25</td>
<td>20</td>
<td>15</td>
<td>10</td>
<td>5</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

VAT of 10 per cent applies on most of the categories listed above.
Prior to the 1990s, international companies that wanted to sell their consumer goods in China had only one choice of partner: the Chinese Government, which controlled production, import and export, and distribution.

At this time, imported goods were considered the height of luxury, and only tourists, students and diplomats could buy through state-owned ‘Friendship stores’ using foreign exchange certificates. The only other alternatives were to purchase from a hotel gift shop or an associate with the privilege of travelling overseas (the origins of today’s ‘daigou’). Modern retail options for Chinese shoppers were non-existent outside a few exclusive enclaves in Beijing, Shanghai and Guangzhou.

The entrance of French multinational Carrefour in 1995 signalled the start of significant changes in China’s retail landscape. Over the next decade, thousands of distributors and retailers emerged in tandem with rapid urbanisation and increases in disposable incomes. State-owned and recently privatised enterprises across China’s 32 provinces and regions became local competitors to international retailers such as Walmart, Tesco and Auchan.

Fast-forward to today, and China offers more advanced channels to market than most developed nations. Shoppers don’t even need to enter a store to purchase imported goods such as Champagne and oysters – these products can be paid for and delivered to their home within 30 minutes with a swipe on their smartphone.

Traditional business models are also merging, with bricks-and-mortar retailers adopting online marketing and distribution capabilities, and e-commerce firms building physical outlets. Working with a partner that offers both traditional and online retail models will increase success rates for Australian food and beverage exporters.

There are two pathways to China for food exporters: general trade or cross-border e-commerce.
General trade

For general trade exports to China, a Chinese legal entity such as an importer, distributor, trader or agent is required as an importer of record for the goods to clear customs (and quarantine if required). Duties and taxes on the cost, insurance and freight (CIF) price must be paid before the goods can be released from bonded storage and sold. Fresh and perishable foods can only be imported by licensed companies, and each consignment requires a sanitary or phytosanitary certificate. All products also require a one-off registration with the State Administration for Market Regulation (see the Understanding Key Regulations section for more information). Once these procedures have been completed, the product can be sold in brick-and-mortar retail outlets or via domestic e-commerce retailers.

Larger shipment volumes via general trade mean businesses can apply economies of scale to reduce shipping and clearance costs, meaning lower delivery duty paid (DDP) unit pricing and more competitive prices for consumers. Exporters can also execute their export strategies more easily by delineating market channels, managing distributors and undertaking targeted brand support and promotion.

However, pre-market approval can be complex and time-consuming for food categories that must comply with Chinese product formulation and labelling requirements, testing methodologies and, in some cases, accreditation of production, processing and supply chain capability.

It is also critical to have reliable import and distribution partner(s) in China. The majority of food import border clearance failures are the result of oversights or omissions by the importer and/or distributor. Exporters can mitigate this risk by having a comprehensive understanding of Chinese food import regulations and a transparent supply chain.

While entering China through the general trade market requires additional time and resources compared to cross-border e-commerce, it is open to a broader range of products that can be sold through more channels, and benefits under the China-Australia Free Trade Agreement. Austrade recommends companies prepare to sell through general trade as part of a holistic market entry strategy.

Figure 3: General trade export flow

![General trade export flow diagram](source: Australian Food & Grocery Council)
IMPORTERS, DISTRIBUTORS, TRADERS AND AGENTS

› Importers perform all administrative functions required to import products from overseas while ensuring compliance with relevant customs, quarantine and food safety regulations. Distributors, direct purchase hypermarkets and e-commerce marketplaces can operate as licensed importers. Foreign wholly owned companies can also hold an import licence.

› Distributors are used to supply food and beverage to traditional retailers, restaurants and hotels. They maintain sales accounts with major retail and food service outlets and manage orders and inventory. While there are more than 1,000 food distributors in China, there are relatively few distributors with comprehensive national coverage. Where national distribution is required, principal distributors will often use local sub-distributors. Distributors tend to work with agents for business development and promotional activities. See Austrade’s Guide to Exporting (austrade.gov.au/Australian/Export/guide-to-exporting) for an overview of working with overseas agents and distributors, including a model contract and common questions to ask a potential distributor.

› Traders are typically individuals or small businesses that directly purchase from Australian suppliers or from Chinese wholesalers for resale through established networks. This form of trading is often motivated by spikes in demand or short-term gaps in the market for products with supply fluctuations. Some large state-owned enterprises and conglomerates also maintain trading divisions for staff catering and staff and customer reward programs.

› Agents handle the business affairs of the company in-market, including overseeing branding and promotion expenditure, and recruiting and supervising business development managers. Agents do not take ownership of goods and usually do not receive payments from buyers but earn a commission based on sales generated through appointed distributors. Agent fees can be partially reimbursed through the Export Market Development Grants program (see page 69).

Cross-border e-commerce

Market research company eMarketer estimates online retail sales in China will reach US$1.5 trillion in 2018. Cross-border e-commerce (CBEC) sales will be worth US$115.5 billion of online retail sales.\(^5\) CBEC is an import channel that allows products to be sold directly to consumers using e-commerce platforms, and leveraging the preferential policies of special economic zones or bonded warehouses. Different taxes and duties apply to CBEC trade, and goods must comply with a different set of regulations than general trade. The e-consumer pays duties and taxes on the retail price. CBEC simplifies the process for getting a product into China. For most food categories, there is significantly less pre-market approval and border clearance requirements than for general trade. The channel also allows exporters to connect directly to the end consumer, potentially reducing the dependence on a traditional in-country distribution network. This provides a great opportunity for exporters to evaluate demand for their products before they undertake potentially costly and time-consuming pre-market approval measures to access the general trade channel.

However, CBEC is a relatively recent innovation by the Chinese Government and is technically a pilot program. As with any new process, there have been a
number of issues that have affected food health and safety. These issues are continually addressed, so further changes to CBEC regulations are likely.

Other constraints include the fact that goods must be sold directly to the consumer, eliminating the opportunity to grow export volume by servicing the B2B market. Exporters also need to ‘pick and pack’ for individual deliveries, either prior to shipping or upon the shipment arriving in the China free trade bonded zone. This adds a supply chain cost and another layer of administrative complexity.

Individual customer purchase limits apply to CBEC purchases. This rate is RMB2,000 per transaction with a total annual ceiling of RMB20,000 per customer. Changes to these limits may occur in the future.

There are no official trade statistics on the volume of Australian products sold to China through CBEC. However, Austrade estimates Australia is the fourth most popular source of products behind the US, Japan and Korea. While the CBEC channel has opened the Chinese market to a broader range of Australian food and beverage exporters than ever before, most Australian food and beverage is still exported into China under the traditional regulatory and tax regime, so exporters should understand and consider the potential role of both options.

The Chinese Government has applied interim exemptions on registration and quarantine requirements for certain products that enter China via CBEC (as distinct from general trade) until 31 December 2018. At the time of publishing this guide, no official announcements have been made as to the continuation (or otherwise) of the current CBEC policies into 2019. You should seek updated advice on the current status of these arrangements when considering this channel for your business.

Australian companies can export goods into a free trade bonded zone or mail products directly to consumers under the CBEC model.

**Free trade bonded zone**

In this model, products on two CBEC ‘positive’ lists can be imported into approved CBEC bonded warehouse zones across China, or shipped from an overseas distribution centre that is linked to Chinese customs. Goods can be imported in bulk through this channel and picked and packed locally for final delivery. Products on these two lists will generally not be required to comply with China’s product standards and import regulations, provided they are legally sold in Australia.

**Figure 4: Free trade bonded zone model**

![Free trade bonded zone model](Source: Australian Food & Grocery Council)
Direct mail

Australian producers can ship products directly to Chinese consumers using the postal and courier system. This includes products not on the bonded warehouse positive lists. However, one fundamental criteria is that products must have market access to China; if a product does not have market access, it cannot be directly mailed to Chinese consumers.

Similar to the free trade bonded zone model, products are generally exempt from the requirement to be pre-registered with Chinese authorities. However, products using this channel must be shipped directly from outside mainland China, such as a warehouse or distribution centre located in Australia.

This channel is popular for high-value, rare and unique, and new-to-market products, and products not on the bonded warehouse positive lists. It is also the channel of choice for drop-shipping sales, daigou and social sellers (such as WeChat stores).

Figure 5: Direct mail model

SELLING TO CHINA WITH AUSTRALIA POST

Australia Post has partnered with some of China’s most reputable e-commerce marketplaces to allow Chinese consumers to buy directly from Australia. Through digital storefronts on Tmall Global, 1688.com and JD Worldwide, Australia Post facilitates the carriage of premium goods such as health products and supplements, organic food and wine, and milk powder. This has been a popular channel for the bulk-selling of wines. Many Australian producers, including five Margaret River wineries, EVOI Wines, Flametree Wines, Happs Wines and Rosily Vineyard, sell their wines wholesale on 1688.com.

Through the partnership, Australian businesses provide product information to Australia Post to allow their products to be shown on Australia Post’s storefronts. Once Chinese customers place their order online, business owners ship their order directly through Australia Post. When the customer confirms receipt of their order, Australia Post will settle the transaction with the Australian business.
Daigou and personal shoppers

The term daigou (代购) means to buy on someone’s behalf. It was originally applied to Chinese nationals who would buy goods (usually well-known brands) while holidaying, studying or working overseas and post them back to China for their family and friends.

The emergence of social media and instant mobile payments through Alipay and WeChat enabled individual daigou to expand their sales networks and evolve to become a semi-professional business – with sales of up to A$20 million per year. Daigou also serve as informal brand ambassadors who can popularise products that are hard to find in China.

In addition to the thousands of individuals purchasing products from Australian retail outlets to post back to China, there are now over 1,500 daigou gift shops across Australia and New Zealand, with many providing full-service ‘pack and send’ services through partnerships with logistics companies.

However, the daigou model, while growing exponentially and becoming more legitimised, poses a number of risks. Australian exporters are generally unable to manage how their products are sold. They may face challenges such as having expired products sold to consumers, or having products sold at deep discounts from time to time, undermining hard-won price and quality expectations.

The threat of counterfeit products has also been increasing, compromising a brand’s reputation before it is officially launched in China. In addition, the model does not build brand loyalty; recent case studies have shown that Chinese consumers are more loyal to their daigou than the brand. As Chinese consumers develop more confidence in the integrity of imported products on their supermarket shelves, the demand for daigou services may be affected.

Moreover, it is a channel that depends on a shipping method that was not designed for commercial use. Authorities in China are working with logistics, payment and e-commerce solution providers to deploy technology to better control and manage leakages across the range of routes to market, but there are still risks.

Figure 6: Daigou model

Source: Australian Food & Grocery Council
SELLING YOUR GOODS IN CHINA

There are several ways to sell food and beverage products in China, from small independent grocery and convenience stores to modern retail outlets including hypermarkets and supermarkets. Digital channels such as e-commerce platforms and social media are critical tools that can be used to both market and sell products directly to consumers. Brands that have a physical and virtual presence offer the best sales coverage.

**Figure 7: China’s packaged food grocery sales by channel, 2016 (US$ million)**


---

<table>
<thead>
<tr>
<th>Channel</th>
<th>Sales (US$ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Modern retailers</td>
<td>160,000</td>
</tr>
<tr>
<td>Traditional retailers</td>
<td>60,000</td>
</tr>
<tr>
<td>Online retailers</td>
<td>20,000</td>
</tr>
</tbody>
</table>

---

Exporting Food and Beverage to China
**Modern retailers**

China's retail sector is highly fragmented – there are hundreds of supermarket brands spanning more than 25,000 outlets across the country. While no one company in modern grocery retailing controls more than 5 per cent market share nationally, there are several local champion brands, such as Lianhua, which have a commanding presence in single locations such as Shanghai.

Despite the rise in e-commerce hampering sales growth in recent years, particularly for supermarkets and hypermarkets, Euromonitor estimates almost 90 per cent of food sales happen offline. Specialty retail stores that offer a unified online and offline experience are performing well. Consolidation and rationalisation in the sector, combined with improvements in supply chain management, innovation and store refurbishments, will improve competitiveness and see modern retail remain strategically important in the years ahead.

**Table 7: List of major retail groups in China and number of outlets**

<table>
<thead>
<tr>
<th>Group</th>
<th>Supermarkets</th>
<th>Hypermarkets</th>
<th>Premium supermarkets</th>
<th>Convenience stores</th>
</tr>
</thead>
<tbody>
<tr>
<td>China Resources</td>
<td>CR Vanguard (996)</td>
<td>Vanguard (529)</td>
<td>Ole (32)</td>
<td>Suguo Howdy (1,342)</td>
</tr>
<tr>
<td></td>
<td>Suguo (1,139)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sun Art</td>
<td>RT Mart (355)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Auchan (75)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Walmart</td>
<td>Walmart (409)</td>
<td></td>
<td>Sam's Club (14)</td>
<td></td>
</tr>
<tr>
<td>Carrefour</td>
<td>Lianhua and Hualian (1,514)</td>
<td>Century Mart (300)</td>
<td>BHG (144)</td>
<td>Quick (1,650)</td>
</tr>
<tr>
<td></td>
<td>Carrefour (234)</td>
<td></td>
<td></td>
<td>Carrefour Express</td>
</tr>
<tr>
<td>Bailian Group</td>
<td>Nonggongshang (690)</td>
<td></td>
<td></td>
<td>Kedi / Alldays (1,500)</td>
</tr>
<tr>
<td>Yonghui</td>
<td>Yonghui (493)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Austrade, Li & Fung
### Hypermarkets

<table>
<thead>
<tr>
<th>Fees</th>
<th>5–20%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of SKUs sold</td>
<td>35,000</td>
</tr>
<tr>
<td>Barcode fee</td>
<td>RMB200 per SKU, per store</td>
</tr>
<tr>
<td>Listing fee</td>
<td>Varies</td>
</tr>
<tr>
<td>Suitable for</td>
<td>Packaged snacks, wine, seafood, frozen meat, mother and baby products</td>
</tr>
</tbody>
</table>

Hypermarkets compete on range and price, attracting middle-income consumers in tier 1, 2 and 3 cities. Most national hypermarket chains stock a large range of imported products, including meat, seafood, fruit and nuts, often in a dedicated import section. Hypermarkets account for 23 per cent of retail wine sales across China, primarily for lower-priced blends.\(^7\) International companies such as Carrefour, RT-Mart and Walmart bring trading practices from their head offices.

#### Supermarkets

<table>
<thead>
<tr>
<th>Fees</th>
<th>5–20%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of SKUs sold</td>
<td>35,000</td>
</tr>
<tr>
<td>Barcode fee</td>
<td>RMB200 per SKU, per store</td>
</tr>
<tr>
<td>Listing fees</td>
<td>Varies</td>
</tr>
<tr>
<td>Suitable for</td>
<td>Moderately priced imported substitutes of everyday staples such as cooking oil, frozen beef and UHT milk</td>
</tr>
</tbody>
</table>

Unlike hypermarkets, which have national or sub-national coverage, supermarkets are typically concentrated in a specific city or province, and many operate as state-owned enterprises of the provincial government. They compete primarily on location, occupying medium-sized stores close to densely populated residential neighbourhoods. The product range is focused on everyday staples such as rice, eggs, pork, tea, sugar, oil, vinegar, water and snacks, with sourcing preference for local brands. The range of non-food items and imports are generally very limited. Customers tend to be older shoppers and those without a convenient means to shop at a hypermarket.

### Premium supermarkets

<table>
<thead>
<tr>
<th>Fees</th>
<th>5–20%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of SKUs sold</td>
<td>Not available</td>
</tr>
<tr>
<td>Barcode fee</td>
<td>RMB200 per SKU, per store</td>
</tr>
<tr>
<td>Listing fees</td>
<td>Varies</td>
</tr>
<tr>
<td>Suitable for</td>
<td>Premium beef, seafood, wine, fresh dairy</td>
</tr>
</tbody>
</table>

Premium supermarkets are small to medium in size and specialise in high-quality local produce, as well as a large range of imported foods and other lifestyle luxuries, including specialty products. These stores are usually located in high-end shopping malls and residential communities, and have a shopping experience on par with the flagship stores of Australian supermarket chains. Premium supermarkets are considered an excellent way to test the market before moving into other retail channels.

#### G-SUPER: PREMIUM SUPERMARKET FOR PREMIUM PRODUCTS

Shanghai property conglomerate Greenland Business Group diversified into retailing in December 2014 with the establishment of G-Super, a premium supermarket which primarily sells imported products. The company operates an integrated import and trading business which allows its 10 supermarkets across East China to source more than 15,000 imported products directly, lowering the final cost to consumers.
Convenience stores are located close to or within office buildings, residential communities and train stations. Lower-tier chains offer snacks and daily necessities, while higher-end and international chain outlets such as Family Mart and 7-Eleven serve ready-to-eat convenience foods that are popular with white-collar workers. This is a suitable channel for healthy snacks and functional foods.

Specialty stores are in better locations, offer a broader product range and personalised and informed service that is lacking in supermarkets and hypermarkets. This has enabled specialty stores to grow while supermarkets, hypermarkets and department stores experience declining sales. Specialty stores have also converted their trusted reputation in a particular niche into an online presence that complements their bricks-and-mortar operations.

### Table 8: List of major specialty store chains in China

<table>
<thead>
<tr>
<th>Category</th>
<th>Store name</th>
<th>Estimated number of outlets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mother and baby</td>
<td>Leyou</td>
<td>450</td>
</tr>
<tr>
<td></td>
<td>Lesenphants</td>
<td>2,500</td>
</tr>
<tr>
<td></td>
<td>BabyBear</td>
<td>220</td>
</tr>
<tr>
<td></td>
<td>Babemax</td>
<td>150</td>
</tr>
<tr>
<td></td>
<td>Watsons</td>
<td>3,000</td>
</tr>
<tr>
<td></td>
<td>Mannings</td>
<td>200</td>
</tr>
<tr>
<td>Personal care</td>
<td>MUJI</td>
<td>200</td>
</tr>
<tr>
<td></td>
<td>Myface</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>Qiansedian</td>
<td>60</td>
</tr>
<tr>
<td>Beauty and cosmetics</td>
<td>Sasa</td>
<td>55</td>
</tr>
<tr>
<td></td>
<td>Sephora</td>
<td>209</td>
</tr>
<tr>
<td>Pet care</td>
<td>Petdog</td>
<td>3,000</td>
</tr>
<tr>
<td></td>
<td>Kudi</td>
<td>120</td>
</tr>
<tr>
<td></td>
<td>Mr Bear</td>
<td>120</td>
</tr>
<tr>
<td>Homewares</td>
<td>IKEA</td>
<td>23</td>
</tr>
<tr>
<td></td>
<td>MUJI</td>
<td>200</td>
</tr>
<tr>
<td></td>
<td>Macalline</td>
<td>200</td>
</tr>
<tr>
<td></td>
<td>Hola</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>Enoteca</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>1919</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>Yesmywine</td>
<td>1,000</td>
</tr>
<tr>
<td></td>
<td>Zhongjiu</td>
<td>1,000</td>
</tr>
</tbody>
</table>

Source: Austrade
Traditional retailers

<table>
<thead>
<tr>
<th>Fees</th>
<th>5–20%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of SKUs sold</td>
<td>100–500</td>
</tr>
<tr>
<td>Barcode fee</td>
<td>RMB200 per SKU, per store</td>
</tr>
<tr>
<td>Listing fees</td>
<td>Varies</td>
</tr>
<tr>
<td>Suitable for</td>
<td>Fruit and nuts</td>
</tr>
</tbody>
</table>

Traditional retail encompasses concessions within wet markets, vegetable wholesale markets, and independent grocery and convenience stores. With a few exceptions, this was the only form of retail in China until the early 1990s. Traditional retail accounts for 60 per cent of retail food sales across China, with a higher concentration in tier 2, 3 and 4 cities. Upmarket providore-style traditional retail outlets are emerging in major cities. The strength of this channel is in the relationship with customers, rather than suppliers. However, as supply chains are usually informal, counterfeit goods can be a major issue. Packaged goods are either made locally or sourced through multiple intermediaries – producers should take steps to include traceability information wherever possible.

Online retailers

China's major established e-commerce marketplaces – such as Tmall, JD.com, VIP.com, Kaola.com and Suning.com – operate dedicated portals selling popular cross-border e-commerce (CBEC) merchandise, such as fashion, health food, skincare and cosmetics, and baby and maternity products.

Chinese online shoppers use CBEC to access a wider choice of international products at lower prices compared to traditional retail channels.

Table 9: Products available on selected online channels in China

<table>
<thead>
<tr>
<th>Platform</th>
<th>Beauty and fashion</th>
<th>Packaged foods and supplements</th>
<th>Mother and baby</th>
<th>Fresh produce</th>
</tr>
</thead>
<tbody>
<tr>
<td>JD.com</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Tmall</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Suning</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>VIP.com</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Mei.com</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yihaojian</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Kaola</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Chunbo</td>
<td></td>
<td></td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Yiguo</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Fruitday</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Freshfresh</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Little Red Book</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kidswant</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>

Source: Austrade
Major online fresh retailers

Total online retail sales grew by 32.2 per cent in 2017 to reach RMB7.18 trillion (A$1.45 trillion). Although online sales of fresh food accounted for only 2 per cent (RMB139 billion) of the total, fresh sales have grown faster at 59.7 per cent.

Table 10: Leading marketplaces selling fresh produce (in alphabetical order)

<table>
<thead>
<tr>
<th>Marketplace</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>benlai.com</td>
<td>Beijing-based online fresh food supermarket with national reach through its own online portal and shopfronts on Tmall and JD.com.</td>
</tr>
<tr>
<td>chunbo.com</td>
<td>Beijing-based online fresh food supermarket focusing on high-end fresh products with own organic farms in Beijing and Shanghai.</td>
</tr>
<tr>
<td>daojia.jd.com</td>
<td>O2O grocery platform consolidating the resources of brick-and-mortar supermarkets and grocery stores by leveraging the logistics capability of JD.com.</td>
</tr>
<tr>
<td>dmall.com</td>
<td>New O2O retail platform offering delivery within two hours. Partnering with Wumart in Beijing and Zhongbai Holdings in Wuhan.</td>
</tr>
<tr>
<td>fruitday.com</td>
<td>One of the earliest vertical fresh produce online marketplaces focusing on imported fruit.</td>
</tr>
<tr>
<td>freshhema.com</td>
<td>An O2O project initiated by Alibaba Group, Hema Fresh offers cashless purchases, in-store cooking of fresh food and home delivery within 30 minutes.</td>
</tr>
<tr>
<td>freshfresh.com</td>
<td>Member-based online supermarket offering Shanghai residents a select range of imported staples at cost prices. Own cold-chain delivery.</td>
</tr>
<tr>
<td>FreshMarket34580.com</td>
<td>Fresh food online supermarket with refrigerated stations in the community to supply day-to-day fresh groceries to over 1 million households in East China.</td>
</tr>
<tr>
<td>miao.tmall.com</td>
<td>Fresh product channel under Tmall.com leveraging Tmall's broad consumer base and online traffic.</td>
</tr>
<tr>
<td>missfresh.com</td>
<td>Vertical fresh produce platform with efficient cold-chain delivery capability backed by its own cold-storage distribution centres in 10 major cities.</td>
</tr>
<tr>
<td>sfbest.com</td>
<td>Food and consumer product retail marketplace owned by SF Holdings (Group).</td>
</tr>
<tr>
<td>wochu.cn</td>
<td>Shanghai-based online platform focusing on semi-processed meat and vegetable and meal packs.</td>
</tr>
<tr>
<td>womai.com</td>
<td>Online food and grocery platform wholly owned by the COFCO Group. It is the major portal of COFCO’s ‘from field to dining table’ strategy.</td>
</tr>
<tr>
<td>yiguo.com</td>
<td>One of the earliest sellers of imported and domestic food products invested by Alibaba Group since 2013.</td>
</tr>
</tbody>
</table>

Source: Austrade in-house research, 2018
**E-commerce third parties**

E-commerce third parties, otherwise known as TPs or ‘Tmall Partners’, are an intermediary between merchants, logistics companies and e-commerce marketplaces. They perform technical functions to help merchants operate their own stores within an online mall, such as Tmall, JD.com or Kaola.com.

These functions include keyword advertising, traffic generation, price optimisation, product listing in Chinese, customer service, and inventory and payment management. Most TPs perform these functions for a percentage of sales, with fees ranging between 2 and 5 per cent, plus costs. Austrade can provide referrals to qualified e-commerce third parties free of charge.

**Social shopping**

Social shopping stores are small stores that operate within social media platforms rather than through an e-commerce website or mobile phone application.

Social shopping’s key feature is the seller’s direct product experience, where they post homemade videos, photos and comments that illustrate how the product is used. As such, social selling is popular with traders and daigou to sell products to their circle of friends, such as mother and baby products or specialty imported foods.

The most well-known mode of social shopping is through WeChat, which has 1 billion active users around the world. The Chinese language version of WeChat includes built-in features that enable users to sell products and services to friends and other WeChat accounts free of charge – making it a low-cost mode of entry.

Unlike more formal e-commerce practices, sellers are not required to be authorised by a manufacturer to sell through WeChat. The backend operations of a WeChat store can be directly managed by a vendor (in Chinese) or outsourced to an e-commerce third party. Payments are made through WeChat Pay. See page 58 for more information on WeChat.
试吃推荐
澳洲新奇士脐橙 4粒装
精选佳沛18-22mm大果，产自新西兰金奇异果
型美，汁甜，味美，让你一口惊惊艳
29.9元/盒
Like Australia, China has strict food safety and quarantine regulations in place for imported food to ensure the health and safety of Chinese consumers. Exporters seeking to secure opportunities for their food and beverages must have a thorough understanding of China’s biosecurity, food health and safety requirements.

Not all Australian produce can be exported or sold in China and exporters should ensure products have market access before they are exported. Ensuring your product complies with Australia and China’s biosecurity, food health and safety regulations – including labelling requirements – is critical, particularly in the case of perishable goods.

Under Chinese law, transfer of product ownership does not always mean transfer of responsibility. The majority of China border clearance failures can be directly attributed to breaches of pre-existing import regulations, whether this is related to non-compliance with biosecurity requirements, product ingredients, formulation, quality or label content or format. In most cases, the exporter is held accountable.

Given the complexity and changing nature of China’s food and agricultural regulations, regulatory compliance is challenging for businesses to manage and needs to be an ongoing priority. A range of rules apply within both Australia and China, and there is no single, definitive source of answers or advice.

This section aims to provide a general overview of the most common food import requirements and the agencies that apply them. It is not intended to be a comprehensive guide for every individual situation.

Austrade recommends you seek professional advice that takes into account your specific circumstances. You should also consult your importer in China and refer to the Department of Agriculture and Water Resources (DAWR) website (agriculture.gov.au) for the most up-to-date information. DAWR also maintains the Manual of Importing Country Requirements (MiCoR) database, available at micor.agriculture.gov.au, which outlines the importing country requirements of Australia’s agricultural export trading partners, including China. In addition, you can refer to the primary sources cited in this section for the most recent regulatory information.

For more detailed information on market access and regulations, refer to the Australian Food & Grocery Council’s China Market Access Industry Guide at afgc.org.au/our-expertise/trade-and-economics.
There are also industry-specific resources that may assist you. This includes Dairy Australia’s Digital Trade China Tool, at: tradechina.dairyaustralia.com.au.

**China Food Safety Law (2015)**

There are currently over 30 laws, regulations, rules and measures governing the safety of Chinese food exports and imports relating to China Customs alone. However, the single most important law for exporters to be familiar with is the China Food Safety Law (2015) of the People’s Republic of China.

When this law came into effect on 1 October 2015, it was described as the strictest food safety law in Chinese history. It reflected the proactive attitude of the Chinese Government in cracking down on food scandals leading to poor consumer confidence in domestic products.

The Food Safety Law (2015) emphasises risk prevention through the supervision and control of every step in the food production, supply chain, distribution, sale, and recall process. Special provisions were also set out for food products involved in food safety incidents, particularly health foods and infant milk formulas. The law also takes into account new types of food trading activities, including food sold on third-party trading platforms and food imported through e-commerce channels.

The China Food Safety Law (2015) empowers national, provincial and local regulatory bodies with more authority, sets harsher penalties for violations and introduces more guidelines for consumer product manufacturing and production.

You should seek professional advice to understand the requirements of the China Food Safety Law (2015) and how they apply to your food and beverage exports.

**Chinese food import regulatory bodies**

Chinese food and agriculture import regulatory bodies fall under the authority of the Ministries of the State Council and the Departments of the State Council. Broadly speaking, the former is responsible for policy development, safety standards, audits and accreditations, while the latter is responsible for implementing, managing and oversight of the various policies, procedures and practices.

In March 2018, China’s National People’s Congress announced sweeping administrative changes which consolidate a number of regulatory ministries and departments, with the goal of streamlining government coordination and reducing red tape.

The new State Administration for Market Regulation (SAMR) has the combined responsibilities of the former State Administration for Industry and Commerce (SAIC), China Food and Drug Administration (CFDA), and some functions of the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) and Certification and Accreditation Administration of China (CNCA).

This has created a regulatory body with consolidated and far-reaching powers in market regulation, food safety, quality inspection, certification and accreditation, and intellectual property rights protection. Dairy products, infant formula, health food, Food for Special Medical Purposes (FSMP) and cosmetics should now register with SAMR prior to exporting.

The General Administration of Customs of China (GACC) has absorbed functions relating to the import and export quarantine inspections of agricultural products and food, as well as the main functions of the former AQSIQ relating to technical policy for agricultural market access and food safety. GACC has also absorbed some functions of the CNCA, with the full scope of responsibilities unclear as at September 2018.

In the pharmaceutical and healthcare sector, there will be three new regulatory authorities – the State Drug Administration (SDA), the State Administration for Medical Security Insurance (SAMI) and the National Health Commission (NHCC). The SDA will replace the pharmaceutical-related regulatory power of CFDA. There will also be provincial drug administrations so at the city/county level, relevant regulatory functions will sit directly within local branches of SAMR. NHCC replaces the National Health and Family Planning Commission (NHFPC) and will be responsible for supervising hospitals and other medical services and policy formulation for drugs, medical treatment and elderly care.
Figure 8: Chinese regulatory authorities

Before March 2018 restructure

State Council

CFDA  NHFPC  AQSIQ  GACC  SAIC  SIPO

CIQ  CNCA  SAC

Descriptions
CFDA  China Food and Drug Administration
NHFPC  National Health and Family Planning Commission
AQSIQ  General Administration of Quality Supervision, Inspection and Quarantine
GACC  General Administration of Customs of China
SAIC  State Administration for Industry and Commerce
SIPO  State Intellectual Property Office
CIQ  China Inspection & Quarantine
CNCA  Certification and Accreditation Administration of China
SAC  Standardization Administration of China

After March 2018 restructure

State Council

SAMR  NHCC  GACC

CNCA  SAC  CNIPA

Descriptions
SAMR  State Administration for Market Regulation
NHCC  National Health Commission of China
GACC  General Administration of Customs of China
CNCA  Certification and Accreditation Administration of China
SAC  Standardization Administration of China
CNIPA  China National Intellectual Property Administration
Table 11 lists the main regulatory bodies that exporters and their importers are most likely to deal with.

### Table 1: Regulatory bodies and their responsibilities

<table>
<thead>
<tr>
<th>Department</th>
<th>Responsibilities</th>
<th>Link</th>
</tr>
</thead>
</table>
| **State Administration for Market Regulation (SAMR)** | SAMR is a new bureau responsible for:  
- Management of business licences  
- Management of food production and food operation certificates  
- Comprehensive enforcement of market regulation  
- National sampling inspections of food  
- Registration of infant formula, health food and Food for Medical Purposes  
- Laboratory certification and accreditation  
- Establishing national standardisation laws and regulations, and industry and local standard filing  
- Registration of trademarks  
| **General Administration of Customs of China (GACC)** | GACC is an existing bureau with expanded functions around food import, which include:  
- Inspection and quarantine of imported and exported products  
- Customs risk management and statistics  
- Administration of Free Trade Zone  
- Registration and filing of imported food enterprises  
- Collection of taxes  
- Development and signing of international cooperation and bilateral agreements. | [customs.gov.cn](http://customs.gov.cn) (Chinese)  
[english.customs.gov.cn](http://english.customs.gov.cn) (English) (Content may vary between sites) |
| **National Health Commission of China (NHCC)** | NHCC is a new bureau responsible for:  
- Establishment of national food safety standards  
- Registration of new food raw materials and new food additives  
- Approval of imported food without national standards  
- Food safety risk assessment. | [nhfpc.gov.cn](http://nhfpc.gov.cn) (Chinese)  
[en.nhfpc.gov.cn](http://en.nhfpc.gov.cn) (English) (Content may vary between sites) |
Registration of importer and exporter

All exporters and importers of ‘foreign’ food must be on China’s ‘Registration System of Imported Food and Cosmetic Importers and Exporters’. Customs examines the electronic information upon application for registration, and issues a registration number upon approval via the registration system. It is very important that businesses keep this number on record once it’s issued. If the scope of products exported (or imported) changes, companies should update this information against their registration number. The electronic registration form and additional information on registration can be accessed at ire.eciq.cn.

Australian exporters can review the performance rating of a prospective importer via a public register maintained by the GACC. There are five possible scores from highest to lowest – AA, A, B, C and D – which are issued based on the importer’s past performance. The better the rating, the less likely it is the importer’s shipments will be scrutinised. While there may be a range of factors that influence this rating (and they might not all be the responsibility of the importer alone), it may be worth asking a prospective importer what their current rating is, and verifying it via the public register at customs.gov.cn/customs/302427/302442/qyqk/index.html.

After clicking on the link, input the full Chinese company name (in Chinese) into the search bar mid-way down the page, input the security prompt that appears and press return. The company information will appear with the credit rating in the fourth column (see below).

![Image of the Chinese government website with a section on enterprise credit rating.](ire.eciq.cn/credit querying)

After clicking on the link, input the full Chinese company name (in Chinese) into the search bar mid-way down the page, input the security prompt that appears and press return. The company information will appear with the credit rating in the fourth column (see below).
Market access protocol negotiation

The Australian Government is committed to securing improved access to overseas markets for Australian agriculture, fisheries and forestry products. This is being achieved through negotiating free trade agreements (FTAs) and technical market access requirements, which are negotiated separately.

FTAs deliver opportunities for Australian agriculture, fisheries and forestry through reduced tariffs and increased price competitiveness.

An FTA does not provide automatic access to an importing country for particular agricultural goods. Market access is subject to the outcome of an assessment by the importing country to ensure those goods do not carry pests and diseases or food safety concerns.

DAWR supports these assessments through science-based analysis, technical expertise, bilateral and multilateral negotiation, integrity and verification systems and relationships built through its network of agricultural experts in key overseas markets.

Market access priorities are identified through consultation with, and advice from, Australia’s agricultural industries and industry stakeholder consultative committees.

Registration of establishment/business

To export to China, certain products, producers and establishments **may** require registration with CNCA or GACC. For some commodities, gaining China registration can be a protracted process with no guarantee of success.

Where required, the producer, processor or company must complete and submit a detailed application to DAWR. If assessed as meeting Chinese requirements, DAWR will file the application with CNCA or GACC.

Depending on further requirements, CNCA or GACC will conduct an on-site audit of the company (where required and at a time that fits its international audit schedule). After the audit, CNCA or GACC will provide a summary of its findings in an audit report. The company may need to implement corrective actions which DAWR will then verify and report to CNCA or GACC.

If the company is assessed as meeting Chinese registration requirements, it will be publicly listed on the CNCA ([cnca.gov.cn/bstdt/ywzl/jkspjy/wspqyzc](cnca.gov.cn/bstdt/ywzl/jkspjy/wspqyzc)) or GACC ([customs.gov.cn/customs/jyjy/dzwjyjy/qymd/index.html](customs.gov.cn/customs/jyjy/dzwjyjy/qymd/index.html) websites. Companies are not eligible to export to China until listed on these websites. As the websites are both in Chinese, exporters are advised to contact DAWR for advice on accessing relevant information.

For further information on which foods are subject to production registration, refer to the Manual of Importing Country Requirements database ([micor.agriculture.gov.au/Pages/default.aspx](micor.agriculture.gov.au/Pages/default.aspx)).

Certificates issued by the exporting country

Where it is a requirement, DAWR is responsible for issuing official export certificates for certain food commodities exported to China. For further information on which foods require a sanitary or phytosanitary certificate, refer to the Manual of Importing Country Requirements ([micor.agriculture.gov.au/Pages/default.aspx](micor.agriculture.gov.au/Pages/default.aspx)).

Chinese import inspection

GACC is responsible for conducting inspection and quarantine assessments of imported foods in accordance with China’s legislation.

Goods that pass import clearance

Only imported foods that pass inspection and quarantine will be issued with an Entry Goods Inspection and Quarantine Certificate by GACC and be allowed to enter China.

The certificate will include details such as:
- consignee
- consignor
- product name
- brand
- country (region) of origin
- specification
- quantity/weight
- production date
- batch number
- warranty period
- port of entry
- date of entry.

Goods that fail import clearance

Imported food that fails inspection and quarantine is issued with the Unqualified Certificate by GACC.

Imported foods that fail clearance may:
- undergo technical treatment under Chinese supervision and then be re-inspected
- be issued a Returns Handling Notice, meaning the importer must send the product back to the exporter; or
- be destroyed.

Some of the most common reasons for non-compliance include: presence of micro-organisms, incorrect certificates, non-compliant labelling and non-compliant ingredients, additives, vitamins and fortifiers.

Failure to comply with Chinese import requirements can result in additional costs and border clearance delays, and potentially attract a range of sanctions depending on the severity of non-compliance. Where a product does not pass inspection, all imports of that product from the same country of origin may be suspended for a period of time. Products that do not pass import inspection are publicly listed, along with other non-compliance rulings and sanctions at customs.gov.cn/customs/jyjy/jckspaq/fxyj/2006167/index.html (Chinese only).
Building a brand in China begins with selling a great product in Australia. More than one million Chinese tourists visit Australia each year, many of whom dedicate a substantial portion of their time to shopping for themselves, friends and family. Others channels, such as daigou, buy and trade Australian-branded goods semi-professionally. Selling through quality Australian retailers is an important step in gaining exposure to these buyers while demonstrating the credentials of your brand.

Chinese shoppers will consider the following when evaluating a brand:

- **Prestige** – is this product renowned and respected by consumers and experts alike?
- **Performance** – does this offer something superior to competitor products?
- **Packaging** – does it look premium and suitable as a gift?
- **Price** – why is this cheap or expensive?

To understand how your products are perceived by Chinese shoppers, merchants can ask shoppers in store or monitor feedback publicly available on websites like Tmall and JD.com. Most Chinese shoppers are very willing to offer detailed opinions.

**Using social media to build your brand**

Effective use of digital media is an important determinant of brand success or failure in China. Chinese digital media platforms not only inform consumers about product decisions but contain features that allow direct sales.

Understanding how to use Chinese digital media platforms can appear daunting, due to their scale, diversity and deep engagement by consumers who use many more platforms than in the West.
As in Australia, brand building on social media occurs in three main ways:

- consumers sharing product experiences and news with their own social networks
- key opinion leaders (KOLs) such as celebrities posting paid messages to their followers
- official accounts for brands to share promotional messages and interact with their followers, including direct sales and customer service.

Most brands use one or more of the following three major platforms for brand building:

- **WeChat**, a messaging, microblogging and e-commerce application used by 1 billion people
- **Baidu**, China’s most popular search engine
- **Weibo**, the biggest Chinese microblogging site and home to many Chinese celebrities and KOLs.

**WeChat**

With 1 billion active users, WeChat is China’s leading social media application. In the space of a few years, it has grown from a simple messaging app to a platform offering a diverse range of functions that have become part of Chinese consumers’ everyday lives. Users can buy movie tickets, pay for utilities, order food, check the stock market, book a doctor’s appointment, and more.

Although WeChat is mainly used for communicating with friends, it is also a powerful e-commerce platform. WeChat stores – e-commerce sites set up within the app – are surging in popularity. Consumers use WeChat Pay, a digital wallet embedded in the app, to pay for services (this feature is only available to WeChat users in China). Around 40 per cent of all China’s mobile transactions – worth US$12.77 trillion in the first 10 months of 2017 – are made through WeChat.

WeChat is a closed platform so users need to know the exact WeChat ID to find an account. Brands must ensure they integrate their WeChat ID into offline touchpoints and events to gain followers.

**CASE STUDY: PROMOTING FRESH FOOD ON WECHAT**

The WeChat account of US fruit brand Dole (WeChat ID: DoleFresh) has more than 20,000 followers. The account publishes new content once a week, with up to four individual posts. These posts include content such as information on the growing environment, recipe ideas, product photos and humorous comics. The account also runs regular giveaway campaigns. Each post on the DoleFresh account receives an average of 1,900 views, 11 likes and three comments.
GETTING STARTED ON WECHAT

There are three types of WeChat accounts: Personal Accounts (for individuals), Official Accounts (for businesses) and Enterprise Accounts (intranets for organisations to communicate with staff). Most brands entering the China market will open an Official Account.

Official Accounts

There are two types of Official Accounts: Subscription Accounts and Service Accounts. The key difference is their posting capabilities and location within the app.

Subscription Accounts can post daily. However, posts are not highly visible as they fall into a folder. Users must navigate to the folder then look for the account to see posts. Service Accounts can only post four times per month but posts are far more visible as they appear in user timelines. If you are posting content frequently, and have a good user following, a subscription account may work best. If not, a service account may be more suitable. However, once your account is established, you cannot change or upgrade to another — you will have to establish a new account, and look for strategies to migrate your followers from one account to the other.

Opening an Official Account

To open an Official Account, you need a Chinese business licence and a Chinese ID (most likely belonging to the account operator). You can apply at mp.weixin.qq.com.

Companies without a Chinese business licence should consider registering as a Wholly Foreign Owned Enterprise (WFOE). As a WFOE, you have complete ownership and control of your WeChat account. Registration is also necessary for other business practices in China, for example, hiring people. The registration process often exceeds six months but is highly recommended if a business is seriously considering entering the China market.

Around 30.1 per cent of all Official Accounts are doing some form of e-commerce. By opening a WeChat Store with WeChat Pay facilities, you can easily convert your marketing activities to sales. WeChat stores are less price-sensitive as the price comparison that comes with e-commerce is heavily reduced. Stores can also join affiliate programs and benefit from word-of-mouth sales and marketing by WeChat contacts.

Third-party business licence

Businesses that are not registered in China as a WFOE can use a third-party licence (through a local Chinese business partner) to register on WeChat. Each Chinese business licence can register 50 WeChat accounts.

Partnering with a Chinese entity or borrowing a licence to open your WeChat account is not without risks. Your followers, history and content are out of your control, especially if a dispute arises. Furthermore, you are accountable for the actions of your local partner. However, WeChat allows you to transfer your account to another business licensee. This makes third-party registration more flexible, with the ability to transfer to your own business licence at a later date.

Special applications

Brands that are willing to commit US$20,000 on marketing over 12 months on Tencent’s platforms can make a special application that eliminates the need for a business licence to obtain an Official Account. These applications are limited and granted on a case-by-case basis.
**Baidu**

While WeChat may be the dominant social media platform in China, the country’s leading search engine, Baidu, is also crucial to achieving market success. In addition to internet search, Baidu offers cloud computing services, travel sites, maps, video platforms, translation software and a web browser.

Transplanting search engine optimisation (SEO) strategies from Google is not effective on Baidu as the two platforms use different criteria to generate page rankings.

Baidu has more features and ads built into its search engine result pages (SERPs) and its algorithm is much simpler than Google’s when determining page quality. Baidu also favours local server locations, a ‘.cn’ domain, and Chinese business addresses, mentions and language since the majority of users are residents of mainland China and interested in Chinese content.

To make the most of Baidu’s search features, Austrade advises Australian businesses to consult SEO experts with local cultural, language and IT knowledge to develop a China-specific SEO strategy.

To advertise on Baidu, businesses must supply their business registration certificate and website address. The application process is manual and typically takes 30 days to process.

Baidu will often ask applicants to prepare the ‘About Us’ and ‘Contact Us’ sections in Chinese. For advertising campaigns, Baidu requires a pre-payment deposit that allows advertising to run until the funds are exhausted. The minimum deposit is US$1,000.

Baidu has strict guidelines regarding advertising. Gambling, pornographic or counterfeit products are closely monitored. An authorised Baidu agent can assist with registration.

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**TIPS FOR SEARCH ENGINE OPTIMISATION (SEO)**

Baidu has natural language processing functions that allow firms to engage in comprehensive SEO to promote their Chinese site. Based on some of the main differences between Baidu and Google SERPs, here are some key things you can do to improve your search engine results.

- **Obtain an Internet Content Publishing licence.** This will help drive page rankings higher and should be applied for early in the registration process.

- **Consider a ‘.cn’ domain.** Using a ‘.cn’ domain will push a website up the page rankings more than a ‘.com’. Baidu’s mobile platform also uses an ‘m.baidu.com’ domain.

- **Publish in Chinese.** Baidu offers Chinese-only language support so you will need to translate your website into Simplified Chinese. Avoid using JavaScript and Ajax to develop your website as these are difficult for Baidu to process.

- **Host content locally.** Baidu tends to have a bias away from foreign content, due to slower connections to servers located overseas. Host content locally to optimise SEO. You should also aim for backlinks from sites hosted in China or written in Simplified Chinese as Baidu values backlinks from China-based websites much more highly than from foreign sites.

- **Update content regularly.** Baidu weighs regular content updates more highly than Google. If content is frequently updated, it is common to see sites quickly move up Baidu’s search rankings. You should upload at least one piece of content every month.

- **Include images.** The vast majority of Baidu’s organic results have thumbnail images associated with them so it’s a good idea to include good-quality photos on your site. Ensure you optimise an image’s plain text and alt text to boost your image search results.
Weibo

Weibo is a primarily mobile-based microblogging and celebrity news site with 392 million monthly active users. Weibo means ‘micro-blog’ and is often called the ‘Chinese Twitter’. The platform has a 140-character limit to each post and allows users to upload videos, images and gifs. Users can ‘follow’ an individual and read their ‘weibos’ (posts), like and share them, without being followed back. Brands must obtain verification and have a WeChat ID.

While paid advertising can be used to drive a promotion into Weibo’s trending sections, the platform is about creating persuasive, visually attractive content about your business or product that suits your target market’s tastes and preferences, and which can also draw in a wider audience.

Weibo is much more versatile than Twitter. For instance, Weibo has developed in-house tools that strengthen advertisers’ ability to target users accurately based on interests and online behaviours, which boosts marketing effectiveness.

Weibo also offers click-throughs to established e-commerce platforms like Tmall and Taobao. A link posted in Weibo takes the user directly to a product page so they can make a purchase. This allows brands to ‘sell’ the goods associated with the aspirational lifestyle promoted by their content.

Personal blogs from celebrities and well-known business figures trend well and often feature on Weibo’s discovery section. As with all social media, the timing of posts and campaigns is important because new topics and stories constantly renew in the trending section.

How food brands use social media in China

In 2017, Austrade partnered with social media research agency China Skinny to review the WeChat accounts of 135 food brands and industry associations active in Chinese social media, and identify the practices that were successful in engaging audiences and driving sales.

Figure 9: Use of social media by food brands, top 35 accounts

Products with most followers: Korean food, Japanese curry, condiments, instant noodles, fruit juice, sports drinks, energy drinks, nuts, cakes, cookies and biscuits.

Frequency of publishing new content: 2–3 messages per week.

Types of message by frequency:

<table>
<thead>
<tr>
<th>40.2%</th>
<th>17.9%</th>
<th>16.6%</th>
<th>10.2%</th>
<th>9.8%</th>
<th>5.3%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product information</td>
<td>Promotional campaigns</td>
<td>Recipes/tips</td>
<td>Brand news</td>
<td>Emotional/lifestyle topics</td>
<td>Others</td>
</tr>
<tr>
<td>Promoting new or existing products; adverts and general promotion.</td>
<td>Product giveaways or incentives for activity.</td>
<td>Includes ways to achieve a healthy lifestyle.</td>
<td>Updates about the brand.</td>
<td>Information on current affairs and lifestyle topics.</td>
<td>e.g. offline events.</td>
</tr>
</tbody>
</table>
Based on the findings, China Skinny has seven recommendations for branding through social media.

1. **Develop engaging content**

   Produce content that captivates followers and encourages them to share it within their circles. In China, content shared by friends is preferred and more trusted.

   The content that is most successful is engaging, personal and visually attractive. An analysis of digital content showed that those using video, infographics, comics, GIFs, animated pictures and virtual reality were twice as likely to outperform accounts that only use text and image-based posts.

2. **Post content regularly**

   Post content in Simplified Chinese and publish regularly. The most successful accounts post on current events or trends, and link them to their products to make the content relevant. Consumers embrace this practice when executed well.

3. **Engage with your followers**

   You should respond promptly to your followers’ questions and comments and maintain a dialogue with them. This helps build trust and brand loyalty while generating consumer insight.

4. **Consider using video**

   Video is growing in importance in China. Short video apps (the equivalent of Vine) are taking off, live-streaming is surging and virtual reality is taking hold. For food and beverage brands, including recorded or live-streamed video of Australian destinations is a strong marketing tool, as it links provenance to Australia’s status as a desired travel destination in China.

5. **Offer promotional incentives**

   Many successful accounts offer promotions, discounts, coupons, gifts, special sales and other forms of ‘special treatment’. These incentives create buzz around a brand and ensure followers revisit and share with their friends.

6. **Obtain verification**

   While ultimately content, responsiveness and the power of a brand drives consumer trust and engagement, social media accounts that are verified by platforms perform better than unverified accounts. A verified account adds credibility to a brand, particularly if it is new to the market, and tells users the platform has undertaken some degree of due diligence.

7. **Use key opinion leaders and celebrities strategically**

   Using celebrities and key opinion leaders (KOLs) to promote food is popular in China. Around 39 per cent of Chinese food and beverage ads feature celebrities, versus 10 per cent in the US and UK. Fifty-one per cent of WeChat users follow a KOL. Many influencers are also active on numerous forms of media, giving brands the opportunity to reach more audiences across a wide range of platforms.

   The right KOL can deliver strong results. According to business intelligence firm L2 Inc, posts by beauty ‘influencers’ on WeChat received on average three times the viewership and four times the engagement of content posted by the brand’s own account. In fashion, KOLs yielded four times the views, and eight times the engagement. However, as KOLs become more popular and their price increases, their value is decreasing as consumers become more aware of their intentions.
KOLs can vary based on their status, followers and abilities. Below is an overview of the different types of KOLs.

<table>
<thead>
<tr>
<th>DESCRIPTION</th>
<th>ESTIMATED PRICES</th>
</tr>
</thead>
</table>
| **A-list KOL** | Well-known in China, will charge a premium price as they have a large following and are sought after by many brands i.e. top influencers, personalities/voices or Chinese celebrities. | #of followers: 1,000,000+  
Price per post: ¥ 70K–150K+ |
| **High-mid range KOL** | A B-list or lower celeb; still well known but not as influential. Prices will still be high. | #of followers: 400,000+  
Price per post: ¥ 20K–55K+ |
| **Local influencer** | Regional or city specific; known in their area as an expert but still approachable by consumers. | #of followers: 200,000+  
Price per post: ¥ 6K–18K+ |
| **Industry-specific leader** | Regional or city specific; known in their area as an expert but still approachable by consumers. | #of followers: 20,000+  
Price per post: ¥ 3K–5K+ |
| **Grassroots influencer** | Consumers with a voice; could be a small-time blogger or outspoken person in a WeChat group, for example a strong voice in a food, mum or health group. | #of followers: 8,000+  
Price per post: ¥ 1.5K–2.5K+ |

Source: China Skinny

**USING KEY OPINION LEADERS**

Here are some principles for using celebrities and KOLs effectively based on research conducted by market research firm China Skinny for Austrade in 2017.

› Instead of paying a premium for well-known celebrities, focus on using KOLs who are credible influencers.

› Engage lesser-known KOLs in meaningful ways and build them into true brand ambassadors.

› Identify KOLs who already resonate with your products and category for authentic advocacy. For example, Scottish Development International recruited Chinese celebrity Jay Chou, famous for his love of castles, to promote Scotland.

› Involve KOLs when designing marketing campaigns. They know their fan base and sphere of influence and how to reach them.

› Do sufficient due diligence on KOLs as some indicators such as social media followers and, increasingly, comments are often fake.

› Understand the customer journey. For example, if Tmall is your dominant e-commerce platform, use KOLs on Weibo as WeChat doesn’t have direct ‘click-through’ capabilities to Alibaba platforms.
The China-Australia Free Trade Agreement (ChAFTA) came into force on 20 December 2015. The agreement unlocks significant opportunities for Australia in China. Thanks to ChAFTA, more than 96 per cent of Australia’s goods exports to China are now eligible to enter duty-free or with preferential access.

China is Australia’s largest agriculture, forestry and fisheries export market, worth $13.5 billion in 2017, up from A$6.6 billion in 2011.

China’s demand for high-quality agriculture and food products is growing rapidly. The Australian Bureau of Agriculture and Resource Economics and Sciences predicts China will account for 43 per cent of global growth in agricultural demand by 2050.

ChAFTA helps unlock significant opportunities for Australian businesses in China. The benefits and requirements associated with ChAFTA for exporters should be taken into account, along with other issues highlighted in this report, including agricultural market access and the importance of seeking independent advice before exporting.

Key ChAFTA outcomes for agriculture, food and beverages

ChAFTA completely eliminated remaining tariffs on Australian barley and sorghum on 20 December 2015, and the rapid tariff reduction on other agriculture exports has already commenced. Key agriculture outcomes include:

- **Beef**: tariffs of 12 to 25 per cent are being eliminated by 1 January 2024
- **Dairy**: tariffs of up to 20 per cent are being eliminated by 1 January 2026
- **Horticulture**: tariffs of up to 25 per cent on nuts are being eliminated by 1 January 2019; tariffs of 11 to 30 per cent on oranges, mandarins, lemons and other citrus fruits are being eliminated by 1 January 2023; tariffs of 10 to 20 per cent on all other fruit are being eliminated by 1 January 2019; and tariffs of 10 to 20 per cent on all fresh vegetables such as asparagus, lettuce and turnips are being eliminated by 1 January 2019
- **Processed food**: tariffs of 7.5 to 30 per cent are being eliminated by 1 January 2019
- **Seafood**: tariffs of 10 to 15 per cent are being eliminated by 1 January 2019
- **Wine**: tariffs of 14 to 20 per cent are being eliminated by 1 January 2019.

The Department of Foreign Affairs and Trade (DFAT) has more information on ChAFTA at dfat.gov.au/trade/agreements/chafta/Pages/australia-china-fta.aspx.


Visit DFAT’s FTA portal at ftaportal.dfat.gov.au to learn more about tariff outcomes and rules of origin.
SERVICES, RESOURCES AND SUPPORT

Austrade

The Australian Trade and Investment Commission (Austrade) is the Australian Government’s international trade promotion and investment attraction agency.

We deliver quality trade and investment services to businesses to grow Australia’s prosperity. We do this by generating and providing market information and insights, promoting Australian capability, and facilitating connections through our extensive global network.

austrade.gov.au
info@austrade.gov.au

Austrade in China

Austrade has a dedicated team of food, beverage and agribusiness specialists in mainland China, Hong Kong and Taiwan. The team can provide insights on doing business in China, raise awareness of Australian products, and organise introductions to Chinese buyers and decision-makers.

General services – free of charge

› Advice about doing business in China. Austrade maintains regular contact with Chinese government agencies and industry (importers, buyers and experts) to offer commercial insights into your market entry strategy, including technical barriers, product feedback and buyer trends. Our team can provide briefings to visiting delegations at our offices in China, or via video conference.

› Referrals to qualified third-party service providers, particularly in the areas of regulatory affairs and compliance, cold-chain logistics, e-commerce, intellectual property protection, business establishment, and legal and accounting. Referrals are based exclusively on experience, merit and suitability.

› Official attendance by a Trade Commissioner at promotional events hosted by Australian companies or their key partners in Beijing, Shanghai, Guangzhou and Chengdu. Outside these cities, travel expenses and service fees may apply.

Tailored services – fee-based (reimbursable via EMDG)

› **Bespoke business matching to qualified buyers.** Austrade may be able to make mutually suitable B2B introductions to a network of more than 400 Chinese customers in mainland China, including importers; wholesalers; retailers; hotels; food service and manufacturing companies; airlines; fresh food, baby and maternity stores; and e-commerce sites. We can make introductions via email or as a formal appointment. We typically charge one to three hours per introduction depending on the number of contacts and/or arranged appointments required. Tailored services are provided for a fee of A$275 per hour.

› **Assistance with promotional events.** We can invite buyers and trade media to your event or product launch.

› **Participation in Austrade-supported trade missions and events.** The food and beverage team coordinates or supports approximately 30 food, beverage or consumer events across China each year, including trade shows, B2C online and in-store retail promotions, and hotel and restaurant promotions.

### Key food and beverage and consumer events in China

<table>
<thead>
<tr>
<th>Name</th>
<th>Sector</th>
<th>Location</th>
<th>Timing (each year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>China Food and Drinks Fair</td>
<td>Wine, alcohol</td>
<td>Chengdu</td>
<td>March</td>
</tr>
<tr>
<td>Bakery China</td>
<td>Ingredients</td>
<td>Shanghai</td>
<td>May</td>
</tr>
<tr>
<td>SIAL China</td>
<td>Food and food service</td>
<td>Shanghai</td>
<td>May</td>
</tr>
<tr>
<td>HOFEX China</td>
<td>Food and food service</td>
<td>Hong Kong</td>
<td>May</td>
</tr>
<tr>
<td>China Baby and Maternity Expo</td>
<td>Mother and baby</td>
<td>Shanghai</td>
<td>July</td>
</tr>
<tr>
<td>Asia Fruit Logistica</td>
<td>Fruit</td>
<td>Hong Kong</td>
<td>September</td>
</tr>
<tr>
<td>China International Import Expo (CIIE)</td>
<td>All</td>
<td>Shanghai</td>
<td>November</td>
</tr>
<tr>
<td>Food and Hotel China (FHC) and Prowine</td>
<td>Retail food and wine</td>
<td>Shanghai</td>
<td>November</td>
</tr>
<tr>
<td>China Fisheries and Seafood Expo</td>
<td>Seafood</td>
<td>Qingdao or Dalian</td>
<td>November</td>
</tr>
<tr>
<td>China Fruit and Vegetables Fair</td>
<td>Horticulture</td>
<td>Beijing</td>
<td>November</td>
</tr>
</tbody>
</table>

Austrade in mainland China also facilitates the China-Australia Food Importers Network, a group of 400 qualified importers, distributors, retailers and traders in the grocery, frozen, fresh and perishable food sectors. Chapters in North, East and South China meet annually on the margins of international trade shows. Austrade intends to extend this network into West China in the future.

**TradeStart**

The TradeStart network is an extension of Austrade’s offices and is delivered in partnership with state, territory and local governments, industry associations and chambers of commerce. The TradeStart network assists small and medium sized exporters to achieve long-term success in international markets. It offers exporters the combined resources of Austrade and each partner organisation, providing local assistance and a direct link to Austrade’s services and overseas network.


Austrade China’s Food, Beverage, Agribusiness and Consumer teams also coordinate events in partnership with industry allies. In 2019 this will include retail and restaurant promotions and B2C events in selected cities across greater China. For further information on participating in these events, email info@austrade.gov.au.

Specific industry bodies may run other online or offline promotions in China across the year.
Financial assistance

Winning an export order or contract is hard work, but the work does not stop there. Making sure your business can fund the contract, and that you get paid by your customer, are key issues that every exporter faces. An export budget should cover all the costs you are likely to incur when marketing your products or services offshore, as well as the costs needed to run your export business. This includes allowances for marketing, legal and advisory services.

Export Finance Insurance Corporation (Efic)

Efic, the Australian Government’s export credit agency, is a specialist financier that delivers simple and creative solutions for Australian companies to enable them to win business, grow internationally and achieve export success. Through its loans, guarantees and bonds, Efic has helped Australian exporters and subcontractors take advantage of new contract opportunities that may otherwise have been out of reach. For more information, call 1800 093 724 or visit efic.gov.au.

Export Market Development Grants

The Export Market Development Grants (EMDG) scheme is a key Australian Government financial assistance program for aspiring and current exporters. Administered by Austrade, the scheme reimburses up to 50 per cent of eligible export promotion expenses above $5,000 provided the total expenses are at least $15,000. The scheme provides up to eight grants to each eligible applicant. See austrade.gov.au/emdg for more information.

Other organisations

The Australian Food & Grocery Council

The Australian Food & Grocery Council (AFGC) is an industry association which represents the manufacturers and suppliers behind Australia’s food, beverage and grocery brands. Founded in 1995, it is the largest and most respected voice of Australia’s fast-moving consumer goods industry. AFGC promotes sound public policy, champions initiatives that increase productivity and profitable growth, and helps protect the safety and security of the consumer product supply through a commitment to scientific and supply chain excellence and industry best practices. afgc.org.au

Dairy Australia

Dairy Australia is the national service body for the Australian dairy industry. dairyaustralia.com.au

Hort Innovation Australia

Hort Innovation works to improve productivity, farm gate profitability and global competitiveness of Australian horticultural industries. horticulture.com.au

Meat & Livestock Australia

Meat & Livestock Australia’s purpose is to foster the long-term prosperity of the Australian red meat and livestock industry by investing in research and marketing activities. mla.com.au

Wine Australia

Wine Australia supports a competitive wine sector by investing in research, development and extension, growing domestic and international markets, protecting the reputation of Australian wine and administering the Export and Regional Wine Support Package. wineaustralia.com

Other grants

There is a wide range of other government grants and financial assistance. Search the free Grants & Assistance tool (business.gov.au/assistance) to find support, funding, assistance packages and loans for your business from all levels of government.
If your business is considering expanding to China either to manufacture or sell products or services, safeguarding your intellectual property (IP) should be one of your primary considerations. Bad faith trademark filings continue to be a major issue for Australians. IP rights are territorial, meaning your Australian trademark, design or patent does not provide you any protection in China. Registering trademarks and other IP rights in China as early as possible may save you significant time and money later.

IP Australia’s dedicated China page at ipaustralia.gov.au/china has a range of information and tools to help you, including:


**Australian Chambers of Commerce in China**

AustCham chapters across China enhance Sino-Australia business by providing information, connections, business services and government relations assistance. The five chambers organise more than 400 networking events each year, as well as training courses and seminars on doing business in China, for more than 500 members across Beijing, Shanghai, South China, Hong Kong and West China. Associate memberships are available for Australian-based companies.

Each chamber can assist with introductions to Australian companies with in-country experience in the food, beverage, wine, e-commerce and retail sectors, as well as qualified service providers in banking and law. AustCham also offers tailored event management services that can help Australian companies connect with the Australia-China business community.

AustCham hosts the annual Australia-China Business Awards to recognise the success of Australian and Chinese businesses in Greater China. The awards include the Business Excellence Award for Agriculture, Food & Beverage, which recognises an Australian or Chinese company that has demonstrated excellence in the field of agriculture, food and beverage and achieved commercial success in Greater China.

**Contacts:**

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</tbody>
</table>

**Export Growth China**

The Australian Business Chamber runs Export Growth China on behalf of all business chambers across Australia and in partnership with Austrade and the China Council for the Promotion of International Trade.

The export assistance program helps Australian food and agricultural products exporters enter and expand in China by leveraging the chambers’ and government agencies’ networks, expertise and endorsement. The program provides exporters with information on Chinese food regulations, brand exposure and business introductions. Participants receive marketing and business development assistance over the six-month program. Brands and products may be promoted at major food trade shows in China, the Australian Business Chamber’s showroom in Shanghai, the Chamber’s China website and social media.

For more information, visit exportgrowth.com.au, call on 1800 505 529 or email customerservice@exportgrowth.com.au.
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